



Daily Report

China

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Daily Report

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General

Foreign Ministry Holds Weekly Briefing

South African Attack on Angola

OW241156 Beijing XINHUA in English 1143 GMT
24 Feb 88

[Text] Beijing, February 24 (XINHUA)—China today condemned South Africa's recent bombing of southern Angola and its attack on Cuito Cuanavale, a town of strategic importance in southern Angola.

Speaking at a weekly news briefing here this afternoon, a spokesman for the Chinese Foreign Ministry said: "The South African authorities, in disregard of the basic principles of international law, have recently dispatched large numbers of troops to invade southern Angola and sent planes to wantonly and indiscriminately bomb Angolan territory, grossly violating Angola's sovereignty and undermining its security."

The Chinese Government and people, the spokesman said, "strongly condemn this barbarous crime committed by the South African authorities, and demand that they immediately stop the invasion, implement United Nations Security Council Resolution 602, and withdraw all their troops from Angola."

"The Chinese Government will, as always, firmly support the Angolan Government and people in their fight against invasions by South Africa to safeguard their state sovereignty and security, as well as the Namibian people in their just struggle for national independence," she said.

Wu Xueqian's U.S., UK Visits

OW241150 Beijing XINHUA in English 1141 GMT
24 Feb 88

[Text] Beijing, February 24 (XINHUA)—Chinese State Councillor and Foreign Minister Wu Xueqian is scheduled to visit the United States and Britain in March.

This was announced by a spokesman for the Chinese Foreign Ministry at a weekly news briefing here this afternoon.

The spokesman said that Wu will visit the United States between March 2 and 9 at the invitation of U.S. Secretary of State George Shultz and Britain between March 10 and 15 at the invitation of British Foreign Secretary Sir Geoffrey Howe.

Joint Venture To Launch Communications Satellite
HK240847 Hong Kong TA KUNG PAO in Chinese
23 Feb 88 p 1

[Report: "The China International Trust and Investment Corporation, the Cable and Wireless Public Limited Company, and Hutchison Telecommunications Limited Cooperate To Launch Communications Satellite in China"]

[Text] A well-informed source has disclosed that the China International Trust and Investment Corporation [CITIC], the British Cable and Wireless Public Limited Company, and Hutchison Telecommunications Limited will jointly launch a new-type telecommunications satellite in China, which will involve a total investment of over HK\$1 billion.

The three companies yesterday announced that they will jointly hold a news conference the day after next (24 February), and the above large-scale telecommunications cooperation project will be announced then, the well-informed source said.

The well-informed source also revealed that some time earlier Hutchison Whampoa Limited, together with British Telecommunications, Panam Pacific, and Telesat Canada International, had purchased two satellites from Pacific General. One of the two satellites was named "ANIK C" and has already been launched in Canada; while the other, a telecommunications satellite named "WESTAR 6," will be launched in China later by Hutchison Whampoa in cooperation with CITIC and the British Cable and Wireless Company.

Satellite Communications Workshop Planned

OW241242 Beijing XINHUA in English 1220 GMT
24 Feb 88

[Text] Beijing, February 24 (XINHUA)—China's State Science and Technology Commission and the U.N. office on outer space will jointly sponsor an international workshop on the development and application of satellite communications systems in China this September, according to the State Science and Technology Commission.

More than 60 representatives from China, the United States, the Soviet Union, Canada, Indonesia, India and other countries and international organizations will attend the meeting.

During the week-long workshop, the participants will discuss the development and application of satellite communications technology in TV, telecommunications, long-distance education and data transmission. They will also exchange their experiences in promoting

economic and social development in Third World countries by means of space communications, and search out the possibilities for expanding international and regional cooperation on satellite communications.

Since 1970, China has successfully launched 21 communication satellites, including 10 satellites which have returned to earth on schedule—with a recovery success rate of 100 percent.

United States & Canada

News Analysis of Shultz' Middle East Trip
OW250904 Beijing XINHUA in English 0827 GMT
25 Feb 88

["News Analysis: Shultz Begins Week-Long Talks in Mideast (by Ma Shijun)"]—XINHUA headline]

[Text] Washington, February 24 (XINHUA)—U.S. Secretary of State George Shultz, amid doubts whether he can make a negotiating breakthrough to open the way to a settlement of the Arab-Israel conflict, leaves tonight for a week-long visit to the Middle East on a new U.S. peace initiative.

The State Department refused to release a specific itinerary, saying only that Shultz would make stops in Israel, Egypt, Jordan and Syria, and that he "is ready to meet with Palestinians."

At a news conference in Brussels, Belgium, while en route here from Moscow yesterday, Shultz, referring to his upcoming Mideast trip, acknowledged, "It's going to be tough. I don't think many people give me much chance If there are chances, even if the chances are small, it's worthwhile trying."

However, many analysts, including a number of U.S. officials, see little that Shultz can do beyond creating an illusion of movement in a process whose outcome hinges on the interplay between Israel and the Palestinians.

They list questions about whether Israel should deal with the Palestine Liberation Organization (PLO), whether negotiations between Israel and an Arab partner should be direct or part of an international conference, and whether there should be a period of limited autonomy in the Israeli-occupied Arab territories before their final status is decided.

Apparently seeking to include Israel in negotiations, the Reagan administration has suggested steps that would include an arrangement for local self-government for Palestinians in the Israeli-held West Bank and Gaza Strip. These would be based on the principles in the Camp David accords of 1978 but with the timetable shortened.

The new U.S. initiative, which Shultz has described as a "blend" of older ideas and some new variations, was prompted by the Palestinian uprisings in the Israeli-occupied lands, followed by the visit of Egypt's President Hosni Mubarak to Washington last month.

Washington has not published its proposals, but other sources say they call for an international conference in April to launch direct Arab-Israeli talks on interim Palestinian self-rule in the occupied lands, where local elections would be held as early as October.

Negotiations on the final status of the territories would begin the end of this year. The proposal suggests three years of self-rule with talks on a definitive permanent settlement to begin within the first year.

Shultz has said America's decision to launch a new peace initiative has been greeted with "almost a sigh of relief" in the Middle East.

But many Arab countries, led by Egypt and Jordan, have told the United States that they reject further interim Middle East negotiations based on the Camp David accords.

Egypt's President Mubarak and Jordan's King Husayn insist that the Camp David accords can no longer serve as a framework for negotiations and that whatever "substance" Shultz has in mind must be discussed under the umbrella of an international conference.

The 1978 Camp David agreement envisioned steps to resolve the dispute over the Palestinians' political status. The process was to involve a five-year transitional period that would lead to autonomy, or limited self-government, and allow for a permanent resolution of the problem. Talks on achieving autonomy began in 1980 but ended without agreement.

On the other hand, the U.S. proposals also have run into opposition from Israeli Prime Minister Yitzhak Shamir, who has indicated opposition to any plan not based on Camp David, other than direct talks with Jordan.

Shamir, who will visit Washington next month, said he disagreed with the notion that negotiations must involve an Israeli trade of territories for peace.

The Arab countries and Palestinians have urged Israel to withdraw completely from the West Bank and Gaza areas it has occupied since 1967, and return to Palestinians their full rights of self-determination.

Shultz will remain in the Middle East until Tuesday when he flies to Brussels for a summit of the North Atlantic Treaty Organization.

He reportedly is leaving his schedule open for a return to the Middle East next Thursday for a possible few more days of diplomacy before heading back to Washington on March 6.

However, some analysts remain doubtful that Shultz can persuade all factions in the Arab-Israeli conflict to accept the new initiative or that dramatic progress toward peace is possible now.

U.S. Removal of 'Four Tigers' From GSP Viewed
HK250525 Beijing RENMIN RIBAO in Chinese
20 Feb 88 p 7

[Article by Zhang Liang (1728 0081): "Retaliatory Measures That Do Not Produce Much Effect"]

[Text] The U.S. Commerce Department announced on 12 February that the U.S. trade deficit last year was \$171.2 billion—the largest-ever annual trade deficit. The U.S. trade deficit with Singapore, South Korea, Hong Kong, and Taiwan accounted for more than one-fifth of the total U.S. trade deficit. Not long after, the White House decided that the "four tigers" be removed from the "Generalized System of Preferences" [GSP] as of 1 February 1989 on the ground that their economies had been developing very rapidly. Reagan said that they could effectively compete in the U.S. market without such preferential treatment. However, many nongovernmental economists pointed out that the Reagan administration's actual purpose was to retaliate against and warn the "four tigers" and to force them to open up their markets to the United States so that the U.S. trade deficit could be reduced.

The U.S. "Generalized System of Preferences" was begun on 1 January 1976. Under this system, about 3,000 kinds of goods produced by countries or regions with a per capita GNP of less than \$8,500 were given duty-free import into the United States. In 1986, goods valued at \$13.9 billion were imported by the United States without import duties, which accounted for only a small part of the total U.S. import volume.

In recent years, the "four tigers" trade surplus with the United States has been increasing yearly. According to figures provided by the First Boston Corporation, the "four tigers" 1986 trade surplus with the United States was \$30.7 billion. This increased to \$37.2 billion in 1987 (West Europe's trade surplus with the United States was \$32.7 billion in 1986, and it dropped to \$30 billion in 1987). The main reason for this was that with the development of their economies, the "four tigers" exported cheap, high-quality, and salable goods. As reported by Western newspapers and periodicals, over the past 20 years, their average annual economic growth rate was 6 percent. The main reasons contributing to their economic development are: Efforts have been made to create favorable conditions to attract foreign investments and to attach importance to education to improve the quality of their workers. Lower labor cost is

one of the strong points of their export-oriented economy. In the meantime, the "four tigers" have greatly changed the product mix of their export commodities. In the past, they exported mainly agricultural products, manufactured goods, and other commodities that did not require high technology. Now, they export mainly industrial products (such as automobiles, electronics products, household electric appliances, and so on). They are advancing in the direction of exporting products that involve high technology.

However, the United States has regarded this situation as a "severe challenge" to it (THE WASHINGTON POST). In particular, after the plummet of Wall Street share prices last year, the United States has repeatedly urged the "four tigers" to lower their import barriers and to revalue their currencies. Otherwise, the United States would take retaliatory measures. Now, the United States has taken the action of dropping them from the "Generalized System of Preferences." However, according to the views of figures in economic circles, the U.S. measure to reduce its trade deficit is utterly inadequate. This is because the greatest annual tariff revenue of the United States is \$500 million. Some American entrepreneurs are worried about counteraction to the measure. U.S. importers will be compelled to increase the prices of import commodities or to import the same kinds of products from other countries or regions.

U.S. Financier Donation To Aid Reform Research
OW250041 Beijing XINHUA in English 1640 GMT
24 Feb 88

[Text] Beijing, February 24 (XINHUA)—An American financier has pledged to donate at least 1 million U.S. dollars a year to help China in its reforms and open policies.

George Soros hoped the money would go towards academic research and to help nongovernmental organizations in the field.

A fund for the purpose was established in an agreement between Soros and the China Research Institute of Economic Structural Reform in October 1986.

At a reception at the China International Culture Exchange Center today Soros applauded China's progress in reforms and hoped the fund would contribute towards that endeavor.

In an interview with XINHUA, Soros described the instability of currency rates as "very dangerous".

"Many central banks are trying to stabilize the exchange rates," he said, adding he felt that over the next 2 or 3 months they had a good chance of succeeding.

But, there could be trouble later in the year.

"In my opinion, there will be no recession in the United States this year," he said. "But, because of that, and after a period of improvement, the balance of trade could deteriorate again, at which time the dollar could come under depression again. That could cause serious trouble."

Although he did not know much about China's economic situation, Soros said, he has studied problems in reform in Hungary, Yugoslavia, the Soviet Union, and China.

There are some unsolved problems in this process, he said, in particular, the allocation of investments.

That requires the development of some kind of capital market.

"Not stock market," he said. "I do not believe you need a stock market. But a money market and maybe a bond market."

State Councillor Zhang Meets U.S. Lawyer
OW241326 Beijing XINHUA in English 1251 GMT 24 Feb 88

[Text] Beijing, February 24 (XINHUA)—Chinese State Councillor Zhang Jingfu today discussed foreign investment in China with Edward F. Cox, a lawyer from Donovan Leisure Newton and Irvine, a law firm of the United States.

Cox is here as guest of the Chinese People's Institute of Foreign Affairs. He has been negotiating a joint venture with a Chinese packaging corporation in the past few days.

Soviet Union

More on Soviet Army Day Anniversary

Wreaths Honor 'Martyrs'
OW241648 Beijing XINHUA Domestic Service in Chinese 1502 GMT 23 Feb 88

[Text] Beijing, 23 Feb (XINHUA)—In commemoration of the 70th anniversary of the founding of the Soviet Red Army, the people's governments, Sino-Soviet Friendship Associations, and associations for friendship with foreign countries of Liaoning Province and Shenyang City, Heilongjiang Province and Harbin City, Hubei Province and Wuhan City, the cities of Chongqing, Dalian, Mudanjiang, Jiamusi, Suifenhe, and Heihe, and Tongjiang County yesterday and today placed wreaths at the tombs and monuments to the Soviet Red Army in honor of the martyrs of the Soviet Red Army who died during the antifascist war.

Commemorations in Jilin

SK250257 Changchun Jilin Provincial Service in Mandarin 1030 GMT 23 Feb 88

[Text] February 23d this year marked the 70th anniversary of the founding of the ground force and navy of the Soviet Union. In commemoration of the Soviet Red Army martyrs who sacrificed their lives in the antifascist war, the provincial and the Changchun City People's Governments, the provincial Sino-Soviet Friendship Association, and the Changchun City People's Association for Friendship With Foreign Countries laid wreaths at 0900 today at the memorial tower to the Soviet Red Army martyrs in the Changchun City People's Square. Characters written on the silk streamers of the wreaths read: Eternal Glory to the Red Army Martyrs Who Sacrificed Their Lives in the Antifascist War.

Provincial Vice Governor Liu Xilin and others attended the wreath-laying activities.

Officials at Ceremonies

SK250303 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 23 Feb 88

[Text] February 23d this year marked the 70th anniversary of the founding of the Army of the Soviet Union. The Liaoning Provincial and the Shenyang City People's Governments, the Liaoning Provincial Sino-Soviet Friendship Association, and the Shenyang City branch of the Chinese People's Association for Friendship With Foreign Countries laid wreaths this morning at the monument to the Soviet Red Army officers and men who were killed, and at the (?monument) to the Soviet Red Army martyrs in Shenyang. Characters written on the silk streamers of the wreaths read: "Eternal Glory to the Soviet Red Army Martyrs Who Sacrificed Their Lives in the Antifascist War." Zhu Jiazhen, vice governor of Liaoning Province; Zhang Rongmao, vice mayor of Shenyang City; [name indistinct], vice president of the Liaoning Provincial Sino-Soviet Friendship Association, and responsible persons of relevant departments of the province and the city attended the ceremony.

The Dalian City Government and Sino-Soviet Friendship Association also laid wreaths at the memorial tower of the Soviet Red Army Martyrs in Stalin Square and at the cemetery of the Soviet Army martyrs in Lushunkou District. Characters written on the silk streamers of the wreaths read: "Eternal Glory to the Soviet Red Army Martyrs Who Sacrificed Their Lives in the Antifascist War." Attending the ceremony were Gao Guozhu, vice mayor of Dalian City People's Government; responsible persons of the Dalian City Sino-Soviet Friendship Association and relevant departments; and responsible persons of the Lushunkou District People's Government.

Soviet Shipping Delegation in Heilongjiang
SK250700 Harbin Heilongjiang Provincial Service
in Mandarin 2200 GMT 24 Feb 88

[Text] According to an agreement signed between China and the Soviet Union, the 30th regular meeting of the China-Soviet Border River Federation will be held in Harbin on 25 February.

A 12-member Soviet shipping delegation headed by (Amisuhuofu), chairman of the Soviet branch of the China-Soviet Border River Federation, arrived in Harbin on the morning of 24 February by train. (Wang Yuanzhang), chairman of the China branch of the China-Soviet Border River Federation and head of the China shipping delegation, welcomed the Soviet delegation at the railway station.

Northeast Asia

Roundup of Takeshita Visit To ROK Inauguration
OW250205 Beijing XINHUA in English 1701 GMT
24 Feb 88

["Round-up: Takeshita Hopes for Improved Japan-South Korea Ties (by Zhu Ronggen and Tan Jianrong)"]—XINHUA headline]

[Text] Tokyo, February 24 (XINHUA)—Prime Minister Noboru Takeshita started an overnight trip to Seoul this afternoon for talks with No Tae-u, who will be sworn in as the new president of South Korea Thursday.

Takeshita hopes to develop the "new era of Japan-South Korea relations" ushered in by former Prime Minister Yasuhiro Nakasone and former South Korean President Chun Tu-hwan into "mature Japan-South Korea relations," government officials said.

In the meantime, he also hopes to build "a reliable personal friendship" with the new South Korean president, besides attending the swearing-in ceremony, which will take place in the garden of the National Assembly, they said.

Takeshita, on his first official visit to South Korea since becoming prime minister early last November, will renew his government's commitment to cooperating toward the success of the Seoul Olympic Games this fall.

Takeshita's visit follows five trips to South Korea by Japanese prime ministers since 1965, when diplomatic relations between Tokyo and Seoul were normalized.

The latest one was Nakasone's visit in September 1987, where he attended the opening ceremony of the Asian sports meet.

Japan has sent influential politicians to South Korea, such as ruling Liberal Democratic Party leaders Shintaro Abe, Michio Watanabe, and former Prime Minister Nakasone, since No claimed victory in the presidential election last December.

Obviously, Tokyo and Seoul are increasingly strengthening relations and establishing a coordination system, political analysts said here.

South Korea, Japan's third-largest trading partner, following the United States and Chinese Taiwan, registered 22 billion U.S. dollars in its trade with Japan in 1987, according to reports by the South Korean Foreign Trade Association.

However, there are some entanglements in relations between Japan and South Korea, which cast a shadow over relations because of their "unhappy past," analysts said.

The history of Japan's occupation of Korea and the killing of Koreans has drawn the South Korean people back from forging close links with the Japanese, while for Japan South Korea has been "a near but far nation," they said.

Before his departure for Seoul, Takeshita said he will make efforts to change South Korea from "a near but far nation" into "a near and intimate nation" for Japan.

Southeast Asia & Pacific

Thai, Lao, Military Officials Continue Talks
OW241232 Beijing XINHUA in English 1149 GMT
24 Feb 88

[Text] Vientiane, February 24 (XINHUA)—Military leaders from Thailand and Laos met again here Tuesday to try to resolve a four-month border fight between the two neighboring states.

General Sisavat Keobounphan, chief of staff of the Lao People's Army, and General Chawalit Yongchaiyut, acting supreme commander of the Armed Forces and commander-in-chief of the Royal Thai Army, reached an understanding on the release of prisoners-of-war (POWS), according to reports here.

Thailand and Laos have been locked in fighting since last November for control of an 80-square-kilometer strip between Thailand's Phitsanulok Province and Lao's Sayaboury Province.

The military delegations reached an agreement on a cease-fire and troop withdrawal last week following two days of talks. Under the agreement, the cease-fire began on February 19 and the two sides withdrew their troops three kilometers from battle lines in the disputed area on February 21.

Chawalit and his delegation arrived here yesterday morning at the invitation of Sisavat and are to leave for home today.

Roundup Reviews 2 Years of Aquino Rule
OW241320 Beijing XINHUA in English 1223 GMT
24 Feb 88

["Round-up: Aquino Government's Two Years in Power (by Zhai Shuyao)"]—XINHUA headline]

[Text] Manila, February 24 (XINHUA)—The government led by President Corazon Aquino has accomplished only initial results in steering the nation towards constitutional rule and economic recovery in the two years after it assumed power in a civilian-back military uprising.

Relying on the political mandate of the February 22-25 1986 revolution at the famous Edsa Avenue here, which toppled the regime of ousted President Ferdinand Marcos, the Aquino government has introduced some political reforms that have yielded the initial results. But prospects for political normality and economic development are now being threatened by several challenges and problems piled up before the government.

On the political front, a new constitution has been put in place a new congress is now functioning and the just concluded January 18 local elections have been said to complete the constitutional process.

In the two years, the Aquino government has basically held its ground and the political situation is tending to improve after it crushed five military coup attempts.

On the economic front, the Aquino government has lowered soaring inflation, dismantled monopolies, initiated a privatization program, and adopted new omnibus investment code to provide incentives to investors.

These economic reforms have somehow enabled the national economy to post positive growth rates in sharp contrast to the negative growth rates, which hit the economy for three consecutive years before Marcos was ousted.

On the social front, the government has increased salaries for the more than 1.2 million government employees to offset the continued price inflation.

Despite the inroads made in all these fields, the Aquino government has still a long way to go to address the various problems facing it.

When commemorating the second anniversary of the four-day Edsa Revolution, many Filipinos, including workers, peasants, businessmen and even church leaders, said that the promise of social changes made by President Aquino in the revolution have not come true for them. The euphoria of the revolution is fading.

The huge coalition that participated in the revolution has now disintegrated, as it had no common ideological cement. And the mass base of the Aquino government is being weakened.

Two years after, the core of the convener group in the revolution is fragmented. Senator Juan Ponce Enrile, co-sponsor of the revolution, Vice-President Salvador Laurel, running mate of Mrs. Aquino in the 1986 presidential election, have parted company with the president, each going his own way because of different political platforms or personal ambitions. Some left-of-center figures have been kicked out of the cabinet.

Worker and peasant groups, which formed a great part of the million participants in the Edsa Revolution, have broken ranks with the president over what they called her right-deviation policies.

Moreover, serious political realignment of political forces in the ruling coalition has been taking place and contradictions between the joined PDP-Laban—Lakas Ng Bansa coalition and the Liberal Party are becoming public.

Political observers here pointed out that the realignment would mean a further loosening up of the ruling coalition.

After a top-echelon military revamp and pay increase for all officers and enlisted men, President Aquino now has had better control over the armed forces. The threats of new coups have subsided.

However, the military is still factionalized. Only recently, disgruntled young officers of the Reform the Armed Forces Movement or RAM, which initiated the August 28, 1987 bloody coup against the government, have openly opposed the appointment of Fidel Ramos, who played a key role in putting down the coup, as defense secretary. The RAM officers still want a bigger say in drafting government policies and wait for a chance to grab power, it was reported.

Noted columnist Amando Doronila recently wrote in the *MANILA CHRONICLE* that the Aquino government is vulnerable to military manipulation. The vulnerability lies in that the government is even at this time still dependent on the military for its political survival. There are reports that yielding to pressure from the military, the government is contemplating of its martial rule options, although the president was quick to deny it.

Political observers here noted that having given ground to tough military approach to the insurgency campaign and having shifted ideological orientation from the center to the right, the Aquino government is being pushed to move further right. This tendency can be seen from its tough policies adopted against labor strikes to win the support of private business management.

But the millions of workers and peasants participating in the Edsa Revolution, now feel a sense of betrayal of the aspirations of Edsa and see the reincarnation of the Marcos regime disguised in the clothes of the new democracy, as local press said.

It was learned that the labor and peasant groups have planned a march to the presidential palace these days to protest the Aquino government's failure to implement a land reform or alleviate the country's grinding poverty and alleged human rights abuses by the military and right-wing vigilantes. Many complained that the presidential decree on the comprehensive agrarian reform program was a non-decision, because decision on the key aspects of land reform is left to a conservative Congress influenced by landlord interest.

The economy grew only because of stimulus by consumption. Investment has come at a slow pace. The tremendous problem of foreign debt totaling 28 billion U.S. dollars exerts enormous pressure to economic development. Poverty is still the lot of a majority of the people.

The insurgency becomes more pronounced. The Muslim separatist guerrillas are now threatening a new wave of military offensives, when the powerful 46-nation strong Islamic Conference Organization [ICO] holds its annual meeting in Jordan, starting March 21 to discuss their application for ICO regular membership.

Graft and corruption still pervades within the government bureaucracy and President Aquino failed to move any realistic step to check it.

Political observers here said that whether or not the Aquino government could address all the problems and challenges and course the nation to greater political and economic development remains a big question as it enters its third year in power.

Sub-Saharan Africa

Zhu Liang Meets Mauritian Party Delegation
OW250055 Beijing XINHUA in English 1645 GMT
24 Feb 88

[Text] Beijing, February 24 (XINHUA)—Zhu Liang, member of the Chinese Communist Party Central Committee, gave a dinner for a delegation from the Mauritian Militant Movement led by its General Secretary Paul Berenger here this evening.

Zhu Liang, also head of the International Liaison Department of the CPC Central Committee, held talks with the delegation this morning.

The delegation arrived here Tuesday for a goodwill visit to China at the invitation of the CPC Central Committee.

West Europe

Li Addresses Banquet for San Marino Leaders
OW250409 Beijing XINHUA Domestic Service
in Chinese 1456 GMT 24 Feb 88

[Text] Beijing, 24 Feb (XINHUA)—President Li Xiannian said here today: "China always maintains world affairs should not be decided or monopolized by a few big powers. All countries, large or small, should have an equal say on such major issues as peace and development concerning the vital interests of their people."

Li Xiannian reiterated this Chinese stand at a banquet he gave for Captains Regent (heads of state) Gian Franco Terenzi and Rossano Zafferani of the Republic of San Marino, as well as their wives and party, at the Great Hall of the People this evening.

Li Xiannian said: A pressing matter of the moment is that the superpowers must cease the arms race in all fields and seek reasonable solutions to issues arising in world hot spots to ease international tensions and safeguard world peace.

He said: "We welcome the agreement on intermediate-range missiles between the United States and the Soviet Union and maintain at the same time that it is only a beginning in disarmament. We hope that the United States and the Soviet Union will continue to hold serious talks and reach agreements on a substantial reduction of nuclear weapons, the prohibition of chemical weapons, and a cutback in conventional weapons, agreements which should not be detrimental to the interests of a third country. We believe that as long as all peace-loving countries and people in the world unite and work hard, peace can be safeguarded."

He said: China and San Marino share identical or similar views on many major international issues, and both countries have a sincere desire to further develop their friendship and cooperation. Satisfying developments have been made in political consultation, cultural exchange, and exchange of visits between China and San Marino since they established diplomatic relations in 1971. He expressed this belief: The visit to China by the captains regent and their party will certainly contribute to enhancing mutual understanding, friendship, and cooperation between the two countries.

In his speech, Li Xiannian also spoke highly of San Marino's positive, neutral foreign policy as well as its efforts and achievements in developing its economy and culture and safeguarding world peace.

In his speech at the banquet, Captain Regent Terenzi reviewed the continuous development of friendship and cooperation since the establishment of diplomatic relations between the two countries in 1971. He pointed out: "Such varied, wide-ranging activities show that we both

sides have the good intentions of enhancing mutual understanding, which are the basis for the development of relations between the two countries."

He said: "Exchanging views and useful information on the present complicated international situation and further developing our bilateral relations — which are our wishes and duties — prove that our basic views on international issues are identical and that there is a potential for wide-ranging cooperation between us."

He said: San Marino is gradually expanding its activities in the international arena. Although it realizes that it is limited by its small size, San Marino still strives for the cultural and social progress of the people of various countries and aims at eliminating the unjust differences, especially those between poor and rich countries or between countries with a surplus of wealth and countries in short supply of necessities. He said: "We also aim to curb interference and restrictions, including economic restrictions; oppose threats, use of armed force, and military occupation; and advocate the freedom of self-determination by the people of various countries and the realization and safeguarding of peace. All these can be realized only through mutual trust and the enhancement of such trust by repeatedly making one's position known and taking proper actions."

He said: The relations which have developed between such a large country as China and such a small country as San Marino since 1971 show how trust and goodwill are fostered through friendship, respect, and understanding. Such sincere relations can be a starting point from which other countries can handle their relations.

Present at the banquet were Lin Jiamei, Li Xiannian's wife; Wu Xueqian, state councillor and minister of foreign affairs; and responsible persons of departments concerned.

Huang Hua Meets FRG TV Director, Delegation
OW241240 Beijing XINHUA in English 1219 GMT
24 Feb 88

[Text] Beijing, February 24 (XINHUA)—Huang Hua, vice-chairman of the Standing Committee of China's National People's Congress, met here today Dieter Stoltz, director of the No. 2 TV station of Federal Germany (ZDF) and his party.

The visitors are here to sign a new cooperation agreement with the CCTV of China tomorrow.

Economic, Trade Delegation Leaves for Brussels
OW242301 Beijing XINHUA in English 1437 GMT
24 Feb 88

[Text] Beijing, February 24 (XINHUA)—A Chinese Government economic and trade delegation led by Zheng Tuobin, minister of foreign economic relations and trade, left here Tuesday for Brussels to attend the third trade week jointly run by China and the European Community.

During the trade week to be held between February 29 and March 4, Chinese trade corporations will promote sales of their export goods.

Meanwhile, Zheng and officials of the European Community will hold the fourth meeting at ministerial level on economic and trade affairs between China and the European Community.

The Chinese Government economic and trade delegation led by Zheng will also take part in the sixth meeting of the joint committee for economic cooperation between China and Federal Germany and pay a visit to Austria.

East Europe

Roundup Discusses Forthcoming Balkan Conference
OW250331 Beijing XINHUA in English 2021 GMT
24 Feb 88

["Round-up: Optimism, Hope Prevail on Eve of Belgrade Conference (by Zhou Xisheng)"]—XINHUA headline]

[Text] Belgrade, February 23 (XINHUA)—Foreign ministers of the six Balkan countries arrived here today to take part in a 3-day conference on inter-Balkan cooperation with a sense of optimism, hope, and commitment.

The conference, which begins Wednesday morning at the magnificent "Sava Centre" in central Belgrade, is sponsored by Yugoslavia and will be attended by the foreign ministers of Albania, Bulgaria, Greece, Romania, and Turkey, as well as the host Yugoslavia.

The ministers came here accompanied by their deputies and a group of experts, which analysts described as an indication that all parties concerned have been well prepared for the meeting, the first of its kind among the Balkan states.

While greeting his Albanian counterpart Reis Malile at the Belgrade International Airport this morning, Yugoslav Foreign Minister Budimir Loncar described the preconference atmosphere as "satisfactory and desirable."

He pledged that as the host of the meeting, Yugoslavia would "do everything possible for its success."

Yugoslavia has been making intense preparations for the conference in the past few months, including bilateral and multilateral consultations with the parties concerned. As soon as his counterparts arrived here today, the Yugoslav foreign minister held private discussions with them on the agenda of the conference, sources close to the meeting said.

At the "Sava Centre," a well-equipped press centre has been established for more than 500 reporters to cover the meeting while x-ray machines were installed at entrances of the building for security reasons.

Upon his arrival, the Albanian foreign minister stressed the "particular importance of the meeting" and hoped that it would achieve "genuine success."

Malile, who was the first to arrive among the five participating ministers, said that "It is very necessary for the Balkan foreign ministers to meet together to discuss matters concerning the development of cooperation, establishment of mutual understanding and strengthening of bilateral and multilateral relations among the Balkan nations."

Bulgarian Foreign Minister Petur Mladenov told reporters after his arrival today that he was confident of the success of the Belgrade meeting.

He said he believed the meeting would "make important contributions to the development of neighborly relations among the Balkan nations."

Describing the Balkan foreign ministers' conference as "historic," Greek Foreign Minister Karolos Papoulias said today he came to Belgrade to attend the meeting "full of hope for its success."

He noted that the success of the meeting "will mean that the inter-Balkan cooperation and relations between the Balkan nations will enter into a new era and take a new course."

Speaking to reporters at the Belgrade airport, Turkish Foreign Minister Mesut Yilmaz stressed today that the 3-day conference should be dominated by "constructive activities."

He said his Government "always stands for inter-Balkan cooperation and will support every constructive idea or initiative on developing all-round cooperation among the Balkan countries."

The Romanian foreign minister, who came here last, said upon his arrival late tonight that he sincerely hoped that "the Belgrade meeting will be concluded with satisfactory results."

"This is the first time the foreign ministers representing all Balkan nations meet together. The meeting itself can be regarded as an important event," he stressed.

Zhao Remphasizes Correctness of 'Opening Up'
*HK251416 Guangzhou Guangdong Provincial Service
in Mandarin 1030 GMT 25 Feb 88*

[Text] According to SHENZHEN TEQU BAO [SHENZHEN SPECIAL ECONOMIC ZONE JOURNAL], during an inspection tour of Shenzhen special economic zone from 18 to 20 February, Zhao Ziyang, general secretary of the CPC Central Committee, said that the experience conducted in Shenzhen shows that the line since the 3d Plenary Session of the 11th CPC Central Committee has been correct. Shenzhen should serve as an example for the coastal areas to further open up to the outside world. He encouraged the comrades in Shenzhen to do a better job in running the special economic zone and offer experience to the coastal areas. After listening to an account of work given by the responsible comrades of Shenzhen party committee and government, Zhao Ziyang said that state enterprises can also become Sino-foreign joint ventures. By doing so, we can assimilate advanced technology and scientific management experience, and improve our sales network. While discussing structural reform, Zhao said that we must be determined to reform our personnel system. We should introduce the competition mechanism to the personnel system. Although our economy has developed, we should solve the problems of backward ideas, bribery, and favoritism. Otherwise, problems may crop up. We must be serious in this regard. Through years of education our party cadres could not bear the sight of some prevailing practices at first. Later they were used to these practices. This gave rise to many problems. For this reason, it is necessary to improve the quality of cadres and staff members. To solve these problems, we should rely on the legal system, better pay for cadres, improvement of their quality and on supervision. During the inspection tour, Zhao Ziyang visited a glass factory, a harbor, the Daya Bay nuclear plant, and the Shekou industrial zone.

Zhao Meets Hong Kong Businessman in Shenzhen
*HK250158 Hong Kong TA KUNG PAO in Chinese
25 Feb 88 p 2*

["Special" dispatch: "Zhao Ziyang Listens to Views of a Hong Kong Businessman, Says it Is Essential To Let Foreign Investment Realize Profits"]

[Text] Shenzhen, 24 Feb--While inspecting Shenzhen the other day, Zhao Ziyang, general secretary of the CPC Central Committee, met with Hong Kong businessman Gordon Wu and had a conversation with him for about an hour.

According to reliable informed sources, it was at about 0900 on the day (20 February) he left Shenzhen that Zhao Ziyang met with Hong Kong businessman Gordon Wu alone and listened to his views and suggestions on making investments on the mainland.

It is said that Gordon Wu had previously written a letter to Zhao Ziyang, reporting what he had encountered on the mainland when making investments there. This drew Zhao's attention and so Zhao met him alone to listen to his views.

After the meeting, when listening to work reports given by the Shenzhen City CPC Committee and City Government, Zhao Ziyang stressed that it is essential to let foreign businessmen derive profits from their investments.

Zhao Visits Daya Bay Nuclear Plant 19 Feb
*HK241554 Hong Kong AFP in English 1234 GMT
24 Feb 88*

[Excerpts] Beijing, Feb 24 (AFP)--Communist Party leader Zhao Ziyang has visited the Daya Bay nuclear plant under construction in southern China, an informed western source in Shenzhen said Wednesday.

Mr Zhao's visit Friday was the first by a communist party secretary-general to Daya Bay, 45 kilometres (28 miles) from Hong Kong. The choice of site has caused concern in the British colony, home to some 5.5 million people, because of fears of the effects of a nuclear accident. [passage omitted]

During his three-hour visit to Daya Bay Friday Mr Zhao, 69, toured the site of the 3.5 billion dollar plant, China's largest joint venture.

The first section of the plant, which will include two 900 Megawatt reactors, is scheduled to go into operation in 1992.

Mr Zhao was not accompanied by any French representative during his tour, the source added. France is the project's main foreign partner.

Mr Zhao later left for Guangzhou, according to the Hong Kong press.

French firms Electricity de France and Framatome are building 70 percent of the nuclear plant, and General Electric of Britain is involved in the non-nuclear part of the project.

Between 1,000 and 1,500 French families are expected to arrive at the nuclear plant's site within the next two years, making Daya Bay host to the largest French community in China apart from Beijing.

Zhao Returns to Beijing; Trip Background Given
HK250107 Hong Kong WEN WEI PO in Chinese
25 Feb 88 p 2

["Special Dispatch" from Beijing correspondent Liu Jui-shao: "Why There Is 'Secrecy' Over Zhao Ziyang's Inspections"]

[Text] Beijing, 24 Feb—Zhao Ziyang returned to Beijing today after concluding his inspection and vacation in south China. His failure to appear during the Spring Festival activities touched off much speculation. Some said he was ill, some said he was at odds with certain other leaders and did not want to appear in public with them, and one rumor was even more tidy, holding that "his left eye was swollen and covered with a bandage so that it was not convenient for him to appear in public." Really, such people had the situation at their fingertips!

Actually, there are a number of small stories regarding the background to Zhao Ziyang's southern trip. His main intention was to take advantage of the festival to carry out an inspection of the southern coastal areas to find out more about the "great international circle" strategy that has been proposed. This is because a number of different opinions came to the fore after this strategy had been proposed. In order to take in everything, Zhao seized the chance provided by the festival to carry out another inspection of the south. Vice Premier Tian Jiyun, who accompanied him, went still further—to Hainan Island.

According to our information, Zhao Ziyang has on many occasions told the work personnel with him that everything they do and everywhere they go, and whether or not they appear in public, will touch off speculation in the outside world, and this is not really a normal thing; we should slowly allow everyone to adapt and avoid arousing suspicions on account of certain "abnormalities."

According to our information, Zhao Ziyang and certain other central leaders feel that the outside world always reacts in a hypersensitive way to certain very common things or coincidences; for instance, when Hu Yaobang resigned last year, much groundless gossip was started when the central television station's newscaster was seen wearing a Zhongshan-style suit. When Chiang Ching-kuo died last month, the news broadcasters again happened to wear Zhongshan-style suits for several days, and one of them was wearing what appeared to be a black tie with a Western-style suit; as a result, the rumor spread that "this was specially done in mourning for Chiang Ching-kuo." Apart from that, Deng Xiaoping has not appeared much since he retired. This is a very normal thing, but the outside world has spread the word that he is in poor health. This hypersensitivity in speaking or acting on hearsay needs to be normalized through being cured. Ai

Zhisheng, minister of radio and television, has said that they have asked the news readers to wear Zhongshan-style suits more often. That is why these suits have been seen more frequently lately.

Wu Xueqian Said Promoted in Cabinet Reshuffle
HK250429 Hong Kong HONGKONG STANDARD in English 25 Feb 88 p 1

["Executive" by Yau Shing-mu]

[Text] Chinese Foreign Minister Mr Wu Xueqian will be promoted to vice premier next month, marking a step forward in his blossoming political career, the STANDARD learnt from reliable sources in Beijing yesterday.

The promotion, due to be endorsed by the new session of the National People's Congress (NPC) in March, will make Mr Wu the top government official overseeing China's foreign relations.

His promotion will put him in line to replace, Mr Ji Pengfei as overseer of Hong Kong and Macao affairs.

Mr Wu's appointment is part of a Cabinet reshuffle by Acting Premier Mr Li Peng whose own position will be confirmed by the same congress session.

In line with standing procedures, Mr Li will nominate his Cabinet members, including vice-premiers, state councillors, ministers and secretary-general.

Mr Wu, 67, is now one of 11 state councillors, who rank half a grade lower than vice-premier. His successor at the foreign ministry is expected to be his assistant, Vice-minister Qian Qichen.

Mr Ji, also a state councillor, is not in good health. But he will remain at his post after the NPC session because there is as yet no other councillor with the necessary experience of Hong Kong and Macao affairs to replace him. It is likely he will stay on for another year or two.

There has been wide speculation about Mr Wu becoming his successor. His promotion makes it more likely because of the territory's importance in the Chinese scheme of things.

Mr Ji and Mr Wu are the only two top government officials with a direct hand in Hong Kong affairs. Mr Wu was involved in negotiating the smooth transfer of Hong Kong sovereignty, especially after the Sino-British accord was signed.

Mr Wu's close involvement in Hong Kong affairs has continued and he is now expected gradually to take over Mr Ji's responsibilities.

Mr Ji's main task is now to oversee the implementation of the one-country-two-systems policy.

But Mr Wu's elevation has less to do with Hong Kong affairs than with his success in projecting the new image of a moderate China.

Foreign Journalists Invited To Cover 7th NPC
OW250146 Beijing XINHUA in English 0131 GMT
25 Feb 88

[Text] Beijing, February 25 (XINHUA)—Journalists from Hong Kong, Macao and Taiwan and other countries are invited to cover the first session of the 7th National People's Congress which gets under way here on March 25.

They may apply to the Information Department of the Ministry of Foreign Affairs through local embassies, consulates or government offices, an official from the information bureau for the standing committee of the congress said.

The deadline for applications is March 15.

Hong Kong and Macao reporters can apply to the All-China Journalist Association via the Hong Kong branch of XINHUA News Agency.

Taiwan reporters can also apply via the branch or to embassies or consulates in other countries, the official said.

Journalists will have to be properly accredited with the news media they represent.

A press center will be set up in the All-China Journalist Association to help overseas reporters and provide them with releases and other material.

Less Interference in Cultural Work Called For
OW250948 Beijing XINHUA in English 0909 GMT
25 Feb 88

[Text] Beijing, February 25 (XINHUA)—Chinese leaders are attempting to keep policies regarding art, literature and theoretical studies in the social sciences on a more even keel this year, a "CHINA DAILY" commentary said today.

Despite quite a number of significant events in the political arena last year, the daily said, the Communist Party leadership was able to maintain fixed policies in these areas, which prevented political shifts from interrupting creative work and academic debate.

Recently, the leadership has again pledged its commitment to the non-interference principle and "letting a hundred flowers bloom". It has also acknowledged that there is no need for all creative people to have a single model as to how to serve the people.

Such remarks were echoed by a commentary in today's "GUANGMING DAILY", which urged the cutback and ultimate abandonment of unnecessary political and administrative interference in cultural work.

"Cultural development will be hopeless if we exercise excessive and rigid control," the paper said, adding, "proper leadership can only be ensured by loosened control."

Art troupes should be allowed full independence in business management so long as their activities are not against state laws and decrees, the paper pointed out.

"GUANGMING DAILY" also called for speeding up cultural reforms, a major task in this year's cultural work.

The key aspects of the reforms as highlighted by the paper are: allowing various forms of ownership in art troupes, the troupe leader responsibility system and the introduction of the contract system.

Except for a small number of state-level troupes, all should run their businesses independently and be responsible for their own profits and losses, it said.

Beijing Ceremony 26 Feb To Launch Deng Biography
HK250409 Hong Kong SOUTH CHINA MORNING
POST in English 25 Feb 88 p 1

[By John Steinhardt]

[Text] Deng Xiaoping, the book, will be launched tomorrow [26 February] in Beijing's Great Hall of the People in a ceremony owing more to Hollywood hooah than Chinese communism.

But it is still questionable whether China's supreme leader, Mr Deng Xiaoping, will step forward to take a bow. Communist Party officials, leading businessmen and other members of Beijing's glitterati will be out in force for the launching, which will be telecast live by satellite to an equally select gathering in Hong Kong.

The director of the local branch of the NEW CHINA NEWS AGENCY, Mr Xu Jiatun, will host a party at a Regent Hotel.

Mr Deng's official biography—a mainly pictorial account of his difficult rise to power—has caused a flurry of interest in China and abroad.

The release of the book, titled "Deng Xiaoping," by an official publisher in Beijing is seen as an unusual departure from Mr Deng's policy of discouraging any form of tribute that of tribute that might be interpreted as a reminder of a Mao-style cult of personality.

But observers said it was unlikely Mr Deng would personally attend the launching.

A limited, serial-numbered edition of 10,000 English-language copies and 4,000 full-character Chinese versions of the book have been made available in Hong Kong. The price: \$740.

A considerably cheaper form of the biography will hit the shelves in paperback form on the mainland. The foreign distributor of the book, Amalfi Limited, said mail orders had already started pouring in from around the world.

"It's been selling like hot cakes," company director Wai Chong said yesterday.

A team of Chinese scholars toiled for more than 18 months to research the volume and authenticate the photographs contained in it.

"They didn't want to make a mistake at any point, so they went through a lot of editing, studying and calculating.

"I didn't even see the text until last month. They obviously thought it should be kept secret, perhaps for commercial reasons, perhaps for other reasons."

More than half the book's photographs have never been released before. Some are stills carefully picked out of documentary films and others are taken from Mr Deng's family albums. Mr Wai said that there were a few times—during low ebbs in Mr Deng's career—when people deliberately put their lives at risk to preserve some of the photographs, since possession would have been treated as a crime.

Article on Character, Role of Democratic Parties
HK250741 Beijing GUANGMING RIBAO
in Chinese 1 Feb 88 p 3

[Article by Chen Ziyun (7115 4793 0061): "On the Character and Role of the Democratic Parties During the Initial Stage of Socialism"]

[Text] On 14 November 1987, at a forum held by the CPC Central Committee of nonparty personages on state affairs, Comrade Zhao Ziyang pointed out with some foresight: "The 13th CPC Congress will have a great impact on work in all fields. It will of course have a great impact on the patriotic united front. In particular, the proposal and implementation of the political structural reform will certainly have a great impact on CPPCC work and the work of democratic parties." Under such a situation, thoroughly studying the character and role of China's democratic parties in the initial stage of socialism and how to improve the multiparty cooperation system under the leadership of the Communist Party has become a subject of important theoretical and practical significance in our study of the theory on the initial stage of socialism.

The Character and Role of the Democratic Parties in the Initial Stage of Socialism [subhead]

Influenced and inspired by the united front policy of the CPC, China's democratic parties emerged in the period of new democratic revolution. The original social foundation of the democratic parties consisted of national bourgeoisie, urban petite bourgeoisie, some intellectuals linked to these two classes, and other patriotic and democratic persons. Some revolutionary intellectuals and a handful of Communist Party members also joined the democratic parties. Each having its own conditions, the democratic parties have never been a pure bourgeois party, but are characterized by class alliance and the united front. This was a characteristic of China's democratic parties ever since their establishment, as well as a characteristic of the times and a reflection of the national conditions in old China. With the radical changes in the status of classes after the basic completion of China's socialist transformation in 1956, the social foundation and character of all democratic parties also changed radically. In the new historical period, democratic parties have become political alliances of some socialist laborers and patriots supporting socialism that are linked to them and are political parties with socialist laborers as the main members who serve socialism under the leadership of the CPC.

In the meantime, we must also notice that in the new period democratic parties as a political force have an extensive influence. This extensive influence originates first from the implementation of the "one country, two systems" policy and the development of the united front. With socialist laborers related to them and some patriots supporting them as their main members, the democratic parties will also recruit some patriots who support the reunification of the motherland. With in-depth development of economic structural reform in the initial stage of socialism and the emergence of new strata and organizations at different levels, the democratic parties, in the light of their own characteristics, will also strengthen ties with them and recruit some representative figures of these strata and organizations to intensify the characteristics of the political alliance. This combination of their advanced character to serve socialism and their unity with people from different fields and at different levels is an important characteristic of China's democratic parties during the initial stage of socialism and an inevitable occurrence of historical development, which reflects the special historical role of all the democratic parties.

The Special Historical Role of the Democratic Parties' Consultative and Supervisory Function [subhead]

The political system of multiparty cooperation under the leadership of the CPC, which has been practiced in our country for a long time since the establishment of the PRC, is an effective and practical step to develop socialist democracy and to build socialist democratic politics under China's current conditions. Bringing into play the role of democratic parties in political consultation and

democratic supervision in the course of building socialist democratic politics is of special historical significance, because the democratic parties and our party have stood together through thick and thin and shared weal and woe for a long time under the leadership of our party, and the democratic parties have become long-tested bosom friends of the CPC. In the new historical period, the democratic parties have become a political force serving socialism under the leadership of our party. This has laid a solid political foundation for carrying out political consultation and democratic supervision in a better way. Most members of the democratic parties are representatives of intellectuals at middle and high levels in all fields, and their number has increased considerably since the end of the "Cultural Revolution." In intellectual structure, the members of the democratic parties represent intellectual groups of various academic subjects, and they also have a high degree of political enthusiasm to offer advice on building socialism. Therefore, properly conducting political consultation and democratic supervision between the CPC and the democratic parties which includes such functions as feedback, consultation, and regulation; substantiating them; expanding their scope; improving their mechanism; and regularizing, standardizing, systematizing, and legalizing them will help make the party's major policy decisions more democratic and scientific. Our party's line during the initial stage of socialism centers on economic construction, and the political consultation and democratic supervision between our party and the democratic parties must also be conducted around the center of economic construction. This is where the fundamental interest of the people of various nationalities throughout the country lies. In the macrosystem of building socialist democratic politics, the political role played by the democratic parties in political consultation and democratic supervision is a direct democratic supervision conducted by people from all strata in socialist countries over the ruling party and state power through different social organizations and channels, including the organization of political parties. The possibility and necessity of this direct democratic supervision lies in that the essence and core of socialist democratic politics is people being masters of their own affairs and that the people really enjoy all the rights of citizens and have the power to manage the state, enterprises, and institutions; lies in that the fundamental interests of people from all strata in a socialist country coincide; and lies in the existence of various contradictions among the people. These complicated contradictions among the people are contradictions in the course of advance and can be correctly solved through various regulation mechanisms and channels of a socialist society. One point that must be stressed is that in the initial stage of socialism, along with the deepening of economic structural reform and opening up, and with the further development of various economic patterns with public ownership as the main pattern, various social strata will have bigger gaps at more levels in the relationships of interest. Coordinating and handling the relationships and contradictions between different interest groups through the democratic

parties is an important task for multiparty cooperation under the leadership of the CPC during the initial stage of socialism. This has given democratic consultation some new facets. Multiparty cooperation under the leadership of our party is a basic socialist political system with Chinese characteristics. This is our strong point and will play an important historical role during the whole socialist stage in China, in particular a special historical role in the building of democracy in the initial stage of socialism. On the premise of safeguarding the country's stability and unity, the multiparty cooperation under the leadership of our party will make its own contributions in helping our party formulate and implement various correct principles and policies, in promoting the building of socialist democracy, and in fighting bureaucratism and various malpractices.

The Self-Building of the Democratic Parties [subhead]

The democratic parties undertake an important historical task and play a special historical role in building socialist democratic politics and in perfecting and developing the political system of multi-party cooperation under the leadership of our party. To better fulfill their historical mission, the democratic parties must meet the needs of development of the initial stage of socialism and put the issue of self-building high on their agenda.

Under the care and leadership of our party, China's democratic parties made important contributions in new democratic revolution and socialist revolution and construction. However, from the late 1950s to the convocation of the 3d Plenary Session of the 11th CPC Central Committee, under the influence of the "leftist" guidance of taking class struggle as the key link, the democratic parties confined their work mainly to "self transformation." As a result, the democratic parties lacked a mechanism suited to the building of socialist democratic politics, including the lack of ideological education for their members about participating in and discussing government and political affairs, and working organs of political parties could not meet the needs for participating in and discussing government and political affairs. Since 1979, under the guidance of the correct policies and line formulated at the 3d Plenary Session of the 11th CPC Central Committee, all the democratic parties have done a lot of work. The membership of the democratic parties has increased by 200 percent over the past 9 years. At present, the deepening of the economic structural reform, the conducting of the political structural reform, and the increase of new members of the democratic parties have made the self-building of the democratic parties more urgent and important. In party building of the democratic parties, first, it is necessary to effectively conduct re-education among the members of the democratic parties about the character and tasks of those parties, so as to upgrade the political quality of the members, to raise their consciousness in actively participating in the building of socialist democratic politics, and to safeguard and perfect the concept on legal system. All these ideological educations must be based on the theory and basic line for the initial stage of socialism and on "one center and two basic points." Second, organization building must be

suited to the new social foundation of the existence and development of the democratic parties in the initial stage of socialism and we must formulate correct principles and plans for organizational development. The organization building must not only reflect the advanced character of the democratic parties to serve socialism, but must also reflect their character of uniting people from all fields, the characteristics of class structure in the initial stage of socialism, and the building of socialism with Chinese characteristics. Third, we must establish small but efficient administration organs which can help the democratic parties to play their role in political consultation and democratic supervision and can help promote the national policy of "one country, two systems" and the policy of reform and opening up. Only thus is it possible for us, on the basis of conducting investigation, to offer advice and offer suggestions in our familiar fields. Moreover, to suit the separation of the party from the government in political structural reform and as a result of the implementation of the manager or administrator responsibility system in enterprises and institutions, party organizations will not exercise "centralized" leadership over their own units, and their function will be turned into one of ensuring and supervising administration. The contents and the way of working in the previous relationship between democratic parties and our party in the grass roots will change radically. After turning the task of grass-roots party organizations into ensuring and supervising administration, grass-roots party organizations can rid themselves of routine affairs and concentrate on party building and party work, including the party's united front work and multiparty cooperation under the leadership of our party. This can also help party organizations to mobilize people from various fields to properly ensure and supervise administration work. Under this situation, some localities and grass-roots enterprises and institutions have created grass-roots political consultation groups led by grass-roots party committees and composed of members of democratic parties and other mass organizations. These grass-roots political consultation groups carry out activities regularly, play the role of ensuring and supervising administration of their own units, and ensure and supervise the implementation of the party's principles and policies in grass-roots units. It appears that this will be a good way for activities conducted jointly by grass-roots party organizations and grass-roots democratic party organizations to supervise administration work in their own units. In short, after separating the functions of the party from those of the government, our party will not stand on the first line of administration. Thus, it can better control contradictions, assume overall responsibility, truly coordinate all parts, and better play a supervisory role. To suit this historical change of the role played by grass-roots party organizations, democratic party organizations in the grass roots can also play a better role in political consultation and democratic supervision.

The democratic parties are parties serving socialism. This kind of service means directly serving the society. Under the guidance of the line formulated at the 3d Plenary Session of the 11th CPC Central Committee, the democratic parties have taken many new steps, such as providing consultation services, running schools, and

supporting border areas by intellectual development. Another kind of service means serving the work done by political parties, which is mainly reflected in the formulation of policies on political administration by the ruling party and the state and in the political consultation and democratic supervision over the implementation of the party's principles and policies in grass-roots units. On the whole, these two services show the historical role and position of democratic parties in participating in China's government and political affairs. The two are not separated, but infiltrate one another and combine into one. The purpose of the two services is to serve socialist causes, and the contents of the two services can be related. The former not only directly serves socialist construction, but can also help us to maintain good ties with the masses, to go deep into practice, and to conduct more investigations. This has substantiated political consultation and democratic supervision, and made it more practical; whereas the latter has provided more political contents to the former. However, in making concrete arrangements for the work, how to properly arrange the two and combine them purposefully is a problem which must often be arranged. In planning the work of democratic parties, the most important thing is to adhere to the basic line in the initial stage of socialism, namely, "one center and two basic points," and to do our utmost to serve all causes in socialist construction with economic construction as the center.

Yang Shangkun Inspects PLA Units in Zhuhai
OW250057 Beijing XINHUA Domestic Service
in Chinese 0911 GMT 23 Feb 88

[Text] Zhuhai, 23 Feb (XINHUA) — During a recent meeting with leading cadres of the coastal and border defense units stationed in Zhuhai, Yang Shangkun, member of the Political Bureau of the CPC Central Committee and vice chairman of the Central Military Commission, said our military comrades should have a sense of glory and a sense of duty as the masters of the country. They should heighten their vigilance in guarding China's south gate in order to make new contributions to opening to the outside world and the ongoing reforms.

On the morning of 21 February, Yang Shangkun met with leading cadres from Zhuhai's garrison command, naval base, border inspection stations, armed police units, and frontier guards. He said: As coastal and border guards, you are shouldering a heavy responsibility. He emphasized that to help cadres and soldiers adapt to the new situation of opening to the outside world, leading cadres themselves must pass tough tests first before they can make their units capable of withstanding tough tests.

Yang Shangkun said: Your appearance, conduct, and manners are very important. You should help cadres and soldiers cultivate a sense of glory.

Talking about the impressions he gained during his few trips to Zhuhai since 1979, he said: The changes that have taken place in Zhuhai today could not have happened without opening to the outside world and reforms. The open policy was proposed by Comrade Deng Xiaoping and was determined by the 3d Plenary Session of the 11th CPC Central Committee. Marked achievements have been made in the past 9 years of opening to the outside world. The general situation is very good, and that of the economic zone is even better. While guarding the frontier and Zhuhai, you have done a good job promoting military-civilian ties. I hope that you continue to make new contributions to reforms and opening to the outside world in the years to come.

Article Analyzes PLA Troop Reduction Project
HK250541 Beijing JIEFANGJUN BAO in Chinese
2 Feb 88 p 1

[Article by Jiang Cheng (5592 6134) and Guo Liyun (6753 4409 0061): "A Magnificent Million Troop Reduction Project—Commenting on Readjustment of the Ranks of Army Cadres"]

[Text] The CPC Central Committee and the Central Military Commission made the strategic policy decision of reducing the number of PLA soldiers by 1 million 3 years ago. To meet the needs of structural reform and streamlining, the Army had to disband, merge, reduce, and downgrade many units, and make arrangements within a short period of time for a large number of cadres. Readjustment of the cadre ranks was undoubtedly an arduous task.

After undergoing 3 years of streamlining, China has basically accomplished the task of reducing its Army by 1 million. Besides making proper arrangements for the placement of tens of thousands of demobilized cadres during this period, the Army also transferred more than 140,000 cadres. The large numbers of PLA men and the numerous fields involved has reached a scale seldom seen in the history of our Army. The broad ranks of cadres manifested their awareness during the streamlining. Taking the overall situation into account they placed themselves at the disposal of the organizations. Whether they were transferred out of the cities or to the mountain areas, and whether they had to engage in familiar work or take up new jobs, they were ready to accept orders. As a result the major personnel changes proceeded smoothly and on schedule. Thanks to this move the ranks of army cadres became more capable and the establishment was fairly reasonable, manifesting vigor and vitality. The move was of far-reaching significance to the development of a modern People's Army.

The changes in the ranks of army cadres after the 3 years have been remarkable and gratifying.

First, while retaining the backbone of Army building, the quality of the ranks of cadres has improved markedly. Today, the number of cadres with above senior secondary school education has increased by 29.6 percent compared with the period before. Of this number, those with polytechnic school and college education have increased by 17.9 percent and the number of army and administrative cadres who received training at academies has increased by 18.7 percent. A big step has been taken in lowering the average age of members of the leading bodies at the army, division, and regiment levels. More than half the cadres at the basic levels are military academy graduates. The proportion of scientific and technological cadres with intermediate and senior technical titles has increased by 4.4 and 2.6 percent, respectively.

Second, the vacancies in the ranks of cadres have been filled and the establishment is reasonable. After the readjustment, the vacancies in the whole Army dropped from 10.8 to 2.6 percent. The vacancies in Shenyang, Beijing, Jinan, Nanjing, and Guangzhou Military Regions and in the units of the 2d Artillery have dropped to under 2 percent. The vacancies for cadres in combat troops at and below the regiment level have also dropped from 13 to 1.3 percent. The vacancies in around half of the divisions, brigades, and regiments are all filled.

Third, the distribution of cadres improved somewhat and the general distribution tended towards rationality, thus putting an end to the problems of too many cadres in the offices and urban areas but too few cadres at the basic levels and in the remote areas where conditions are hard. The vacancies in Xizang and Xinjiang have dropped to 2 percent. The problem naval units and frontier guards had of being short of medical doctors over the years has also been solved. Following the transfer of the extra numbers of cadres from units garrisoned in large- and medium-sized cities to units at the basic levels, the problem of the large numbers of scientific and technical cadres in the Commission of Science, Technology, and Industry for National Defense, the 2d Artillery, and the Navy and Lanzhou units located in the great northwest which were short of cadres, was solved. The proportion of overstaffing and understaffing is more or less the same as in other large units.

Of the various reasons for the smooth completion of such a large-scale readjustment of cadres, systematic and effective measures constitute the most important ones. They included the following:

—The guiding views put forward according to different circumstances and the focus of readjustment defined by the streamlining. At the initial stage of the streamlining a large number of units were to be disbanded or merged. Hence, it was an outstanding question to retain the backbone of army building and build a rationally distributed contingent of quality cadres. For this reason the General Political Department issued the "Circular on Doing a Good Job of Cadre Readjustment and Retaining

Qualified Personnel for Army Building," which clearly stipulated that overall assessment should be made to select the best, and to make up deficiencies between the units to be disbanded and merged and those to be maintained, and between the field army and the provincial Military District. Accordingly, the whole Army transferred more than 100,000 cadres by transcending regions, departments, and arms of the service. All units directly selected around 10,000 young cadres, who received training at the academies, from the disbanded and merged units to work in the group Army, thus taking a gratifying step toward improving the quality of grass-roots level cadres. To retain the teaching and technical backbone at the start of streamlining the second group of units, all units adopted the measures of reducing the number of cadres at the higher levels to fill the vacancies at the lower levels, and held personnel exchange meetings to rectify the uneven distribution of technical cadres. When streamlining reached the later stages all units proceeded from their actual realities, adopted some special readjustment measures, and avoided the practice of imposing uniformity.

—Based on overall Army building, attention was given to the following during the readjustment: First, reduction in quantity was integrated with improving quality. Focused on careful selection and rational use of qualified personnel, all units reduced staff and selected able persons while retaining qualified personnel and exchanging, thus smashing the system of a unit permanently possessing cadres. This resulted in extensive cadre exchanges. The units short of hands could employ cadres without restrictions and those with large numbers of cadres recommended them without reservations. At the meeting to exchange qualified personnel held in Baoding, Beijing Military Region found new posts for more than 1,000 cadres within 3 days. Second, guiding views were integrated with mandatory orders. This prevented the problem of microcontrol and microinflexibility, reduced blind practices, and fully aroused the enthusiasm of the units at all levels. To solve the problem of cadres who were unwilling to go to places where the conditions are hard, Guangzhou Military Region appointed medical cadres and platoon leaders to units in the remote and poverty-stricken areas. As a result, the problem these units had of having to wait several years for graduates from military academies to fill their vacancies was solved within a year. Third, readjustment was integrated with perfect policies. In coordination with the cadre readjustment the stipulation of appointing too many cadres to certain posts was abolished to ensure the seriousness of the establishment. The method of "double placement" was tried out among graduates of medical colleges to solve the question of overstaffing at higher levels and understaffing at lower levels. By utilizing the streamlining opportunity, the method whereby "men were released before their replacements had been recruited" was changed to "recruit replacements before releasing the men" when replacing cadres at basic levels, which eliminated the long-standing problem of shortage of cadres at the basic levels... All this promoted the smooth progress of the readjustment work and also laid a sound foundation for institutional building of cadre work in the future.

—The higher and lower levels and the offices acted in coordination to grasp implementation. During the 3 years of streamlining the three general departments and all units resolutely implemented the principle of the Central Military Commission on "readjustment, improvement, and stability," adopted various means of publicity to explain the significance of cadre readjustment, and sought unity of thinking in units at all levels. Many leaders personally went to the units to inspect and guide, solve difficult problems, and sum up and disseminate experience. The higher and lower levels provided each other with information on qualified personnel and consulted over cadre exchanges. The professional departments in headquarters also exchanged information, acted in cooperation, conducted thoroughgoing investigation and study, and promptly discovered and solved the problems. All this created favorable conditions for cadre readjustment.

The successful experience in current cadre readjustment can be used as reference for the future. For various reasons however, there are also some problems. For example, the determination to readjust and the plans of a small number of units have not yet been realized. Owing to excessive accommodation, a small number of cadres bargained with the units concerned to either stay or leave. This practice should be checked in future. In the new year we should do a better job of resettling and placing cadres reduced by streamlining.

Communique on 1987 Economic Statistics
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[Text] Beijing, 23 Feb (XINHUA)—The PRC State Statistical Bureau's Communique on the 1987 Statistics of National Economic and Social Development

(Issued on) 23 February 1988

Under the leadership of the CPC and the State Council, people of all nationalities further implemented the policies of reform and opening to the outside world and carried on the campaign to "increase production and practice economy and to increase revenues and reduce expenditures" in 1987. As a result, production steadily developed, the domestic market was brisk, economic exchanges with other countries increased, and new developments were seen in science, technology, culture, education, public health, and sports. According to preliminary estimates, the gross national product was 1,092 billion yuan, up 9.4 percent from 1986. National income reached 915.3 billion yuan, a 9.3 percent increase. The major problems in the development of the national economy were: demand still outstripped supply; some commodities, especially main nonstaple foodstuffs, were in short supply; and prices rose substantially. 1. Agriculture [subhead]

Agricultural production increased. Total agricultural output value in 1987 reached 444.7 billion yuan, up 4.7 percent from 1986.

Grain output, one of the major agricultural products, was 402.41 million metric tons, 10.9 million metric tons more than in 1986 and near the 1984 record. Two successive years of declining cotton and oil-bearing crops were reversed in 1987. The output of tea, cured tobacco, silkworm cocoon, and fruit increased, but that of sugar-bearing crops, jute, and ambary hemp decreased.

The output of major agricultural products was as follows:

	1987 (metric tons)	Percentage change from 1986
Grain	402,410,000	2.8
Cotton	4,190,000	18.4
Rapeseed	6,730,000	14.5
Other Oil-bearing crops	8,520,000	3.5
Sugarcane	46,850,000	-6.7
Beetroot	7,970,000	-3.9
Jute, ambary hemp	960,000	-32.5
Cured tobacco	1,640,000	19.5
Silkworm cocoon	397,000	7.6
Tea	497,000	8.0
Fruit	15,510,000	15.1

Forest operations were improved through arousing the enthusiasm of the masses in managing and protecting forests. Progress was made in afforestation and forest-shelter construction in north, northwest, and northeast China. However, indiscriminate logging occurred in some localities from time to time. Fire prevention was a weakness, and extraordinarily serious fires happened in Daxinganling.

In animal husbandry, the number of large and herbivorous domestic animals increased. The number of sheep also increased. Milk, wool, and poultry production increased but the number of pigs slaughtered and pork production decreased in varying degrees.

The output of major animal by-products and head of livestock were as follows:

	1987	Percentage change from 1986
Pork	17,800,000 metric tons	-0.9
Beef and mutton	1,410,000 metric tons	16.9
Milk	3,190,000 metric tons	10.0
Sheep's wool	208,000 metric tons	12.4
Pigs slaughtered	255,130,000 head	-0.8
Large animals at year's end	126,330,000 head	6.2
Pigs at year's end	326,400,000 head	-3.2
Sheep at year's end	178,350,000 head	7.3

Fishery developed quite rapidly. Aquatic products totaled 9,400,000 metric tons, up 14.1 percent over the previous year. Freshwater products increased by 17.8 percent, marine products increased 11.5 percent.

Investments in agriculture increased, water conservation projects for farmland were strengthened, and improvement was made in the conditions for agricultural production. By the end of 1987, the aggregate power of the country's farm machinery reached 247.2 billion watts, a 7.7 percent increase over 1986. There were 880,000 large and medium-sized tractors, a 2 percent increase; 560,000 trucks, an increase of 11.8 percent; and the power of irrigation and drainage equipment was 67.9 billion watts, a 12.4 percent rise. A total of 20.1 million metric tons of chemical fertilizers were applied during the year, a 4.1 percent increase over 1986. The total consumption of electricity in rural areas was 65.9 billion kwh, an increase of 12.3 percent over the previous year. However, a lack of motivation remained in agricultural production. The production of major farm products failed to keep up with the national economic development.

Rural reform continued to develop in-depth and the rural economy developed quite rapidly. The year's total rural production brought 904.1 billion yuan, an increase of 12.7 percent from 1986. The total output value of rural industry, construction, transport and commerce increased by 21.8 percent, bringing up their proportion of the social production from 46.9 percent in 1986 to 50.8 percent in 1987 and exceeding the total agricultural output for the first time.

2. Industry [subhead]

Industrial production was developed in a balanced manner. The total industrial output value in 1987 was 1,378 billion yuan, an increase of 16.5 percent over 1986. Excluding rural industry at and below the village level, the total industrial output value was 1,182 billion yuan, an increase of 14.6 percent. Of the total, the state-owned sector's output value increased by 11 percent, collectively-owned industry by 25 percent, individually-owned industry by 48 percent, and industry run by Chinese-foreign joint ventures, cooperative enterprises and enterprises with exclusive foreign investments by 98 percent.

Light and heavy industries developed proportionately. The total output value of light industry in 1987 was 656 billion yuan, an increase of 16.8 percent; while the total output value of heavy industry was 722 billion yuan, an increase of 16 percent. The development in power industry and the industry in support of agriculture was distinctly accelerated. Basic industries such as iron and steel, nonferrous metal industries, and industries for industrial chemicals developed steadily. There was even more rapid growth in sections which use non-farm products as raw materials, particularly in sections which produce high-quality brand-name durable products.

However, the lack of coordination between industrial production and consumer demand remained a problem. There remained a shortage in the supply of energy and some raw materials.

The output of major industrial products was as follows:

	1987	Percentage change from 1986
Cotton yarn	4,320,000 metric tons	8.1
Cloth	16,700,000,000 meters	1.4
Woolen goods	260,000,000 meters	3.0
Machine-made paper,		
paper board	10,080,000 metric tons	1.0
Sugar	5,110,000 metric tons	-2.6
Cigarettes	28,810,000 boxes	11.0
Bicycles	40,910,000	14.7
TV sets	19,380,000	32.8
Color sets	6,720,000	62.1
Tape recorders	18,630,000	6.0
Cameras	2,390,000	18.2
Washing machines	9,920,000	11.0
Refrigerators	3,980,000	76.8
Coal	920,000,000 metric tons	2.9
Crude oil	134,000,000 metric tons	2.6
Electricity	496,000,000,000 kwh	10.3
Hydro-electricity	99,500,000,000 kwh	5.3
Steel	56,020,000 metric tons	7.3
Rolled steel	43,910,000 metric tons	8.2
Cement	180,000,000 metric tons	9.2
Lumber	68,430,000 cubic meters	5.2
Sulphuric acid	9,620,000 metric tons	26.1
Soda ash	2,370,000 metric tons	10.5
Chemical fertilizers (converted to 100 percent efficiency)	17,030,000 metric tons	22.0
Insecticide	260,000 metric tons	27.9
Power generating equipment	9,600,000 kw	32.9
Machine tools	146,000	-10.6
Numerical control and high-precision machine tools	4,267	6.4
Motor vehicles	472,000	27.7
Tractors	40,000	39.2
Locomotives	909	11.1
Steel ships for civilian use	1,920,000	12.7

The coordination between industrial production and marketing was fairly good and the economic results were gradually improved. Profits and taxes of state-owned industrial enterprises included in the state budget in 1987 were 130.7 billion, up 9.9 percent from the previous year. The turnover period for fixed working funds

was shortened from 109 days to 105.4 days. Labor productivity was 7.6 percent higher. Most industrial products steadily improved in quality. Consumption of energy dropped. In 1987, industry saved more than 20 million metric tons of energy, or 4 percent. However, production costs were exceeded by 4.6 percent and there was excess production of a few unpopular commodities.

The structural reform of industrial enterprises began to emphasize reforms in the enterprises' internal mechanisms. Statistics from 28 provinces, autonomous regions and municipalities showed that 68 percent of the state-owned industrial enterprises had adopted a factory director responsibility system, 83 percent of the large and medium-sized state-owned industrial enterprises adopted the management contracted responsibility system in various forms, and 46 percent of small state-owned industrial enterprises had either been transformed into state-owned collectively-run enterprises leased or contracted to individuals. Horizontal economic associations were developed in-depth and breadth and in various forms. By the end of the year, there were altogether 6,780 horizontal economic industrial associations above the county level, with a total investment of 12.57 billion yuan. The production value and profits of the economic associations in 1987 were 38 and 38.1 percent higher than those of the previous year, respectively. They turned out to be better than the national average.

3. Investment in Fixed Assets and Construction [subhead]

The growth of investment in fixed assets began to slow down. In 1987 the country's investment in fixed assets totalled 351.8 billion yuan, 49.8 billion yuan or 16.5 percent more than in the previous year — a lower growth rate than the 16.7 percent in 1986. Of the total investment in fixed assets, 226.2 billion yuan was contributed by state-owned enterprises, an increase of 14.4 percent; 48 billion yuan by collectively owned enterprises, an increase of 22.4 percent; and that of 77.6 billion yuan was made by individuals, an increase of 19.6 percent. However, the overall scale of investment in fixed assets was still too large, too many construction projects were not included in the state budget, and too many new projects were begun.

Various localities had implemented the principle known as the "three guarantees and three restrictions," and improved the investment structure. State-owned enterprises invested a total of 132.4 billion yuan in capital construction, an increase of 12.6 percent over the previous year. Of the investment in capital construction, 30.9 billion yuan went into energy projects, an increase of 25.5 percent over 1986; 20.4 billion yuan into transport, posts and telecommunication, an increase of 7.9 percent; 19.4 billion yuan into the raw materials industry, an increase of 31 percent; and 6.7 billion yuan into light and textile industries, an increase of 15.9 percent. The proportion of construction investment in basic industries such as the energy and raw materials industries rose to 38 percent from 33.5 percent in 1986.

The construction of key projects was stepped up. An investment of 36.2 billion yuan was made in 206 key construction projects organized by the state and scheduled for a reasonable construction period. All the major construction of key projects, including oil fields, power stations, coal mines, railroads, and ports, was successfully completed. A total of 102 large and medium-sized capital construction projects and 93 single items attached to large and medium-sized projects were completed and put into operation in 1987.

The country's new production capacities in capital construction include: 8.1 million kw of power generating capacity, the biggest increase in a single year since the founding of the PRC; 17.11 million metric tons of coal; 16.31 million metric tons of crude oil (including capacity added through oil-field renovation and transformation or other investments); 272 kilometers of newly built railway; 433 kilometers of double-track railway; 204 kilometers of electrified railway; 9.84 million metric tons of cargo handling capacity in coastal ports; 300,000 metric tons of ethylene, 2.97 million tons of cement; and 3.9 million boxes of plate glass.

The technical transformation of enterprises progressed steadily. State-owned enterprises used an investment of 74.3 billion yuan for equipment replacement and technical updating in 1987, a 19.9 percent increase over the previous year. Of this investment, 25.6 billion yuan was used to increase production capacity, up 21.3 percent; 10.6 billion yuan to increase the variety of products, up 8.3 percent; 4.2 billion yuan to improve the product quality, up 7.3 percent; and 2.8 billion yuan to conserve energy, up 24.4 percent. A total of 42,000 projects were replaced or transformed and put into service in 1987, and 54.8 billion yuan worth of fixed assets was added.

Reform continued to deepen in the construction industry. The contracted responsibility system was applied to as many as 117,000 state-owned construction projects, covering a construction area of 160 million square meters and accounting for 83.9 percent of the total. Some 18,000 projects were contracted through public bidding, covering a construction area of 36.93 million square meters and accounting for 19 percent of the total. Reform has promoted the development of production. In 1987, the total output value of the state-owned building industry increased 7.7 percent over the previous year, and per capita productivity improved by 6.2 percent.

It was a bumper harvest year for mineral resources, with 366 deposits of 64 different ores tapped. Newly discovered coal reserves amounted to 31 billion metric tons, and a considerable amount of gold deposits were also discovered. In addition, a significant amount of metals, non-metals, and energy resources was also tapped. A wealth of geological data was obtained through deep-sea geological prospecting, thus opening a new field in ideological work. Drilling footage for 1987 was 8.18 million meters.

4. Transport, Post and Telecommunications [subhead]

Transport departments deepened reforms, stepped up technical transformation, and made efforts to increase transport capacity. The volume of freight and passenger transportation carried by various means of transportation also increased.

	1987 (in millions)	Percentage change from 1986
Total volume of cargo:	2,190,900 m. ton/km	9.2
Railway	947,100 m. ton/km	8.2
Highway	240,900 m. ton/km	13.7
Waterway	939,700 m. ton/km	9.8
Air	660 m. ton/km	37.5
Oil/gas pipes	62,500 m. ton/km	2.1
Total volume of passengers:	535,000 person/km	11.0
Railway	284,300 person/km	10.1
Highway	212,900 person/km	11.6
Waterway	19,200 person/km	5.5
Air	18,600 person/km	27.4
Total volume of cargo handled at major seaports:	397 m. tons	3.3

Post and telecommunications increased by a fairly large margin. In 1987, business transactions throughout the country totalled 3.89 billion yuan, an 18.3 percent increase over 1986. The year-end number of telephone users in urban areas amounted to 2.93 million, 17 percent more than in 1986. Domestic express mail service has started in 196 large and medium-sized cities in China.

Transport's economic results were further improved. With the comprehensive contract system entering its second year, the Railway Department continued to improve its transport efficiency. In 1987, average daily loading volume exceeded 70,000 cars, up 1.6 percent from 1986; average daily productivity of each locomotive was 821,000 metric tons/km, an increase of 1.9 percent over 1986; income and profits from the railways increased 8.7 percent and 2.6 percent respectively; and labor productivity of railway workers rose 5.3 percent. The volume of transportation per ship directly managed by the Ministry of Communications was 50,100 metric tons/km, an increase of 7.4 percent over the previous year. A rapid development was made in container transport in 1987 when railways and ocean shipping handled 14.38 million metric tons of container cargo, up 27.7 percent from 1986.

Transport capacity was enhanced. The railway department increased the number of cars in each train, added 20 pairs of passenger trains to the schedule, and improved passenger service. Some express trains

enhanced passenger transport capacity by reducing the number of sleeping cars and baggage cars. The highway transport department actively developed long-distance passenger transport to help reduce the load of railways. In 1987, there were 2,500 inter-province highway passenger transport routes in China, and the volume of highway transport for miscellaneous goods increased by 10.5 percent. However, the transport, post, and telecommunications services were still far from meeting the needs of economic development, and there was a comparatively large number of traffic accidents in 1987.

5. Domestic Commerce, Supply, and Marketing [sub-head]

The domestic market thrived steadily. The value of China's 1987 retail sales totalled 582 billion yuan, a 17.6 percent increase over 1986. When price increases were factored in, the actual increase was 9.6 percent. Of the total retail sales, the value of farm production materials was 70.5 billion yuan, up 22.4 percent; and the value of consumer goods was 511.5 billion yuan, up 16.9 percent. The value of consumer goods sold to institutions in 1987 totalled 55.3 billion yuan, up 19.7 percent from 1986. This was because some government offices, organizations, enterprises, and institutions indulged in extravagance and waste, sponsored dinner parties and sightseeing trips with public funds in violation of repeated government bans, and thus caused excessive increases in institutional spending.

Retail sales in all economic sectors generally increased, with a 15.6 percent increase in the state-owned sector, a 15.4 percent increase in the collective sector, a 26.3 percent increase in the jointly owned sector, a 24.2 percent increase in the individual sector, and a 24 percent increase in the transactions between farmers and non-farmers.

The retail sales volume of all consumer goods increased over 1986. The supply of most food was ample, and the retail sales of food rose 18.1 percent (7.2 percent if the price rise is factored in). However, there was a slight shortage in the supply of pork, vegetables, and sugar. Clothing sales increased by 13.9 percent, and the sales of other necessities grew 16.7 percent.

The reform of the commercial system continued to develop in-depth and in breadth. As of the end of 1987, over 60 percent of the big and medium-sized state-owned commercial enterprises had instituted the contracted managerial responsibility system, and 80 percent of the small-sized state-owned commercial enterprises had been transferred to collective operations or changed to enterprises under collective ownership and operated by individuals under lease. Among supply and marketing cooperatives, over 90 percent of the enterprises had instituted internal contracted managerial responsibility systems of one kind or another. Urban and rural trade fair locations increased from the preceding year's 68,000 to 69,000. The amount of transactions at trade fairs for

the year hit 110 billion yuan, up by 21.3 percent compared with the preceding year. Integrated economic establishments on the commercial front continued to develop. As of the end of 1987, their number reached 6,792, or 20.3 percent more than the number at the end of the preceding year. Their annual business volume totaled 15.5 billion yuan, and profit 650 million yuan.

Improvement was made in the economic results produced by state-owned commerce and supply and marketing cooperatives. In 1987, the expense for every 100 yuan worth of commodities sold was 1.4 percent less than that in the preceding year, while the profit was 6.4 percent higher. The length of time for turnover of circulating funds was reduced to 203 days, compared with the preceding year's 220 days.

The market for means of production was further expanded. There was a drop in the proportion of materials distributed under the unified state plan. For rolled steel, the proportion declined from the preceding year's 53.1 percent to 46.8 percent, for cement from 16.2 percent to 15.6 percent, and for lumber from 30 percent to 26.2 percent. The volume of sales of supply departments amounted to 156.7 billion yuan, surpassing the preceding year by 32.5 percent. Of this, the volume of sales registered by supply trade centers accounted for 26.8 billion yuan, an increase of 69.6 percent.

Commodity prices rose by a relatively big margin. The year 1987 witnessed an average 7.3 percent rise in the general level of retail prices compared with the preceding year (the rise was 9.1 percent for December compared with the same month of the preceding year). As for the price rise in urban and rural areas, commodity prices climbed up 9.1 percent in cities and towns and 6.3 percent in the countryside. For specific commodities, the prices of foods were up 10.1 percent, with meat, poultry, and egg prices 16.5 percent higher, fresh vegetables costing 17.7 percent more, and aquatic products up 17 percent. Clothing cost 3.5 percent more, while the price of pure wool yarn jumped 18.1 percent. Daily used articles cost 6.1 percent more. The prices of pharmaceuticals and medical supplies rose 4.6 percent, fuels went up 3.6 percent, and means of agricultural production increased 7 percent.

In 1987, the general level of cost of living for staff members and workers went up 8.8 percent. In some big and medium-sized cities, the growth rate exceeded 10 percent.

The general level of purchase prices of agricultural and sideline products went up 12 percent, compared with the preceding year.

Main problems on market price management were as follows: There were such rather serious phenomena as some monopoly trades and enterprises offering high prices to vie to purchase badly needed commodities and selling them at jacked-up prices so as to reap enormous

profits through buying and selling. In addition, quite a number of stores and individually owned stalls caused price hikes in disguised forms, sold goods of inferior quality at prices of those of good quality, or gave insufficient quantities of goods to buyers for the prices charged. These phenomena were also not uncommon.

6. Foreign Economic Relations and Trade as well as Tourism [subhead]

Exports grew remarkably, while control was exercised over imports. According to Customs statistics, the 1987 total import and export value amounted to \$82.7 billion, a 12 percent rise over the preceding year. Export volume was \$39.5 billion, up 27.8 percent, and imports totaled \$43.2 billion, a 0.7 percent growth. The deficit from import and export business shrank to \$3.7 billion from the preceding year's \$12 billion.

Non-trade exchanges continued to expand. In 1987, the nation's non-trade-related foreign currency income amounted to \$5.38 billion, and expenditure \$1.99 billion. Income was \$3.39 billion more than expenditure.

In 1987, the nation actually used \$7.57 billion of foreign capital, an increase of 4.3 percent over the preceding year. Of this amount, foreign loans accounted for \$5.33 billion, a 6.4 percent increase over the preceding year, and direct investment solicited from businessmen abroad was \$2.24 billion, about the same as the preceding year.

China widened its economic and technical cooperation with foreign countries. In 1987, it signed new contracts for overseas projects and labor service, altogether worth \$1.74 billion, a 28.3 percent rise over 1986. Business volume amounted to \$110 million, up 13.5 percent over 1986.

The economic strength of the special economic zones rose further as exports continued to increase. According to statistics compiled by Shenzhen, Zhuhai, Shantou, and Xiamen, the country's four special economic zones, their overall industrial output value in 1987 climbed to 11.2 billion yuan, or 52 percent more than 1986. Export income in the zones in 1987 was \$2.74 billion, an increase of 114 percent over the previous year. During 1987, more foreign investment was made in production projects, with more than 100 enterprises funded with foreign capital starting operation the same year. In 1987 China made use of \$510 million of foreign capital, 16 percent less than in 1986.

The tourist industry developed quickly. In 1987 China received 26 million tourists and other visitors who came for various exchange activities from 169 foreign countries and regions, 17.9 percent more than in 1986. Foreign exchange earned from tourism during the year amounted to \$1.84 billion, up 20.3 percent over 1986.

7. Science, Technology, Education, and Culture [subhead]

Structural reform of science and technology continued to develop. Science and technology played an increasingly noteworthy role in economic and social development. In 1987, 225 inventions and discoveries won state prizes; 807 prizes were given out for achievements in technological advances; and 9,902 scientific and technological research results won prizes from State Council departments and from provincial, autonomous regional, and municipal governments. The research projects on micro neutron source reactor, state-designated laser wavelength standard series, super-precision shafting, and super-precision lathe, all of which won the technological advancement prizes, were comparable to the advanced world standards. In order to catch up with development of high-technology abroad, in 1987 China invested 200 billion yuan for nearly 500 research projects in the fields of bioengineering, information, new energy sources, new materials, and three others. Of all the state's key scientific and technological research projects planned for the Seventh 5-Year Plan, nearly 4,000 special research project contracts had been carried out by the end of 1987. The State Natural Science Foundation, which was founded for the main purpose of supporting basic research and applied research, gave financial support worth 130 million yuan to 2,777 projects in 1987. The "sparkling program," designed to invigorate the rural economy, also yielded notable results by completing over 2,800 projects in the past 2 years. More and more people took part in scientific and technological research in 1987. The technological market began to expand, resulting in the transaction of 130,200 technological contracts worth 350 million yuan.

Patent work scored marked results in 1987. During the year 26,077 patent applications were examined, and 6,811 were approved, a gain of 100 percent over the previous year.

Weather and oceanographic departments played a role in raising social and economic benefits by providing a great deal of data and information and by giving timely and accurate forecasts on weather and sea conditions.

To help develop the economy and exploit resources, cartographic departments completed 26,000 scale maps in 1987 and published 82.22 million public version maps under 223 categories.

The ranks of scientists and technicians continued to expand. In 1987, 8.68 million natural science professionals were employed in state-owned units, 430,000 more than in 1986. By the end of 1987, there were 5,580 independent research and development institutions owned by state-owned units at and above the county levels.

[53/5] Education was further developed in the course of reform. In 1987, the nation enrolled 40,000 new postgraduates. There were 120,000 postgraduates in study, and 28,000 postgraduates completed their degrees. Ordinary institutions of higher learning admitted 617,000 new students for their regular and special courses. There

were 1,959,000 students studying in such institutions, or 4.2 percent more than the preceding year. The number of graduates reached 532,000. Institutions of higher learning for adults enrolled 498,000 new students for their regular and special courses, and there were 1,858,000 adult students studying in such institutions.

The structure of secondary education was improved toward the goal of rationalization. There were 5,169,000 students studying in various vocational and technical senior middle schools (including 1,046,000 students in skilled worker schools). This surpassed the preceding year's record by 377,000 and accounted for 40 percent of the total 12.91 million students in senior middle schools. Secondary specialized schools for adults had 1,680,000 students, and technical training schools for adults had 7,360,000 students.

Fundamental education was further strengthened. Nationwide, there were 41.74 million students studying in junior-middle schools and 128.36 million students in primary schools. Among school age children, the percentage of those actually going to schools rose from the preceding year's 96.4 percent to 97.1 percent. A total of 1,240 counties passed the inspections conducted for evaluating the work of popularizing primary education. Relatively big progress was also made in developing special education for mentally retarded and disabled children.

Cultural undertakings became more prosperous with each passing day. The year 1987 witnessed the production of 146 feature films and the distribution of 195 new films (lengthy films) of various kinds. Nationwide, there were 163,000 movie-projection units of one kind or another, 3,089 art troupes, 2,980 cultural halls, 2,432 public libraries, 826 museums, and 3,238 archives. In addition, the nation had 385 broadcasting stations, 624 radio transmitting and relay stations, 365 television stations, and 719 television transmitting and relay stations, each with a capacity of 1,000 watts or more. During the year, 20.6 billion copies of national and provincial newspapers, 2.64 billion copies of magazines of various kinds, and 6.25 billion copies (pieces) of pictures and books were published.

8. Public Health and Athletics [subhead]

Public health work showed further development, and there was a continued improvement of medical facilities. At the end of 1987, there were 2,365,000 hospital beds in the country, or 3 percent more than that at the preceding year-end. Professional health technical workers numbered 3,609,000, or 2.9 percent more than the preceding year. The total included 1,482,000 doctors (of whom 777,000 were physicians practicing traditional Chinese medicine and Western medicine), an increase of 2.6 percent, and 718,000 head nurses and nurses, up by 5.4 percent. New achievements were scored in preventing and controlling various contagious and chronic diseases. The total incidence of contagious diseases declined 20

percent compared with the preceding year. However, "difficulty in seeking medical treatment" in cities and shortages of doctors and medical supplies in the countryside were still rather commonplace phenomena. In 12.2 percent of villages, there were still no places where people could obtain medical treatment.

Remarkable achievements were made in athletics. In 1987 Chinese athletes won 69 championships in world tournaments, broke and surpassed 22 world records on 41 occasions, and broke 171 national records on 392 occasions. The scores achieved at the Sixth National Games were better than any other national games in the past.

9. Living Standards [subhead]

The income of urban and rural people continued to increase. In 1987, the total wages of China's workers and staff amounted to 186.6 billion yuan, an increase of 20.6 billion yuan or 12.4 percent over 1986. A sample survey of urban and rural families showed average annual per-capita income of 916 yuan for living expenses among urban residents, up 10.6 percent from 1986; and the increase was 1.7 percent if the price increase is factored in. The survey also showed an average annual per-capita net income of 463 yuan among farmer families, an increase of 9.2 percent; and the increase was 5.3 percent if price increases are factored in. The total net income included 419 yuan from productive activities, an 11.7 percent increase. However, the income increase was uneven among urban and rural people, the income of 21 percent of urban residents was actually lower in value because of commodity price increases, and the average annual per-capita net income of 8.2 percent of farmer families was below 200 yuan.

The labor system reform was constantly deepened and employment increased. In 1987, 3.49 million people found jobs in urban areas. The nation had 131.9 million employees by the end of 1987, 3.81 million more than at the end of 1986. Of them, contract workers of state-owned enterprises numbered 7.26 million, up 2.02 million; and self-employed workers in cities and towns totalled 5.67 million, up 840,000.

Urban and rural savings deposits increased by a wide margin. By the end of 1987, individuals' banking savings amounted to 307.5 billion yuan, an increase of 83.6 billion yuan or 37.5 percent over the 1986 year-end figure.

Housing for both urban and rural dwellers further improved. In 1987, 180 million square meters of housing floor space was built in urban areas, and 860 million square meters in rural areas.

Social welfare services continued to improve. In 1987, the nation had 37,000 social welfare establishments providing for 482,000 people throughout the country. Urban and rural collectives provided for 2.33 million

people—those who were elderly, disabled, or orphaned and had no other means of support. Urban and rural families who were suffering great hardships could find relief. Conditions for handicapped people to learn job skills improved. Relatively great progress was made in helping poor families become better off in old revolutionary base areas, minority nationality regions, and border regions.

10. Population [subhead]

China's population growth rate increased slightly. A sample survey of 1 percent of the nation's population and a recheck in the second half of 1987 indicated that the country's birth rate in 1987 was 21.04 per thousand, the mortality rate was 6.65 per thousand, and the natural growth rate was up to 14.39 per thousand from 14.08 per thousand in 1986; and by the end of 1987, China had 1.08 billion people, some 15 million more than the 1986 year-end figure. Notes:

All the figures given in this communique are preliminary statistics, and do not include those for Taiwan Province. The gross national product, national income, and total output value listed here are calculated in terms of 1987 prices, and the rate of growth over the previous year is calculated in accordance with comparable prices.

Gross national product refers to the increased value of both productive and nonproductive sectors and net income from abroad, not including the value of consumed products and labor.

Total rural product of society includes the total output value of agriculture and of collectively and privately owned rural industries, building industry, transport service, and commerce.

Finance Ministry Reveals More Monetary Reforms *OW250221 Beijing XINHUA in English 1830 GMT 24 Feb 88*

[Text] Beijing, February 24 (XINHUA)—Taxes now account for more than 80 percent of China's state revenue, compared with only 46 percent in 1978, the Ministry of Finance told XINHUA today.

"Taxation has become an important lever in regulating China's economic development, and a key way of increasing state revenue," a senior ministry official said.

"Because of the past 9 years of reform, China is now trying out a multi-tax system with circulating fund and income tax as the main components, changing the country's former single tax structure," the official explained.

The new system has promoted economic development, accelerated production, increased the state financial resources, and raised the standard of living, he said.

Since 1979, China's financial departments have assumed the policy of delegating the financial distribution power to the localities, departments, and enterprises, and now allow enterprises to retain a larger percentage of their profits to encourage even more economic development.

Last year, state revenue in the national budget was twice the 1978 figure, while income in addition to the budget was 5 times that of 1978.

Last year, state-owned enterprises retained 48.9 billion yuan (about 13.2 billion U.S. dollars), or 42 percent of the profits earned. By comparison, in 1978, enterprises kept only 3.7 percent of their profits. In addition, some enterprises retained more than half of their profits because they are now allowed to use before-tax profits to repay loans.

As a result, enterprises have more money to upgrade technology, and are more active in marketing, competition, and profit-making.

According to ministry statistics, in 1986, local revenue hit 110.7 billion yuan (about 29.9 billion U.S. dollars), or more than half the state budget revenue for the same year, and financial departments at all levels nationwide have earmarked a lot of money to support the country's wage, price and overall economic reforms.

In the past 9 years, more than 400 billion yuan (about 108 billion U.S. dollars) was spent on developing agriculture, science and education, energy and communications, and more than 600 billion yuan (about 162 billion U.S. dollars) was used to raise the price of agricultural products, find jobs for unemployed, raise government workers' salaries, subsidize grain and foodstuffs, and build urban housing.

"These changes in financial and tax system reform have created a sound base for better overall macro-control of the country's financial and tax systems," the official said.

Many problems still have to be solved, like differences in income, over-decentralized funds, over-blown capital construction, excessive consumer spending, too much group purchasing, and tax evasion, the official added.

"Reforming China's financial and tax systems will be a long process," he said.

"There has to be more financial control," the official warned, "and there needs to be more legislation worked out to define and clarify the country's tax policies."

A financial credit system, a national debt management system and a system to manage state-owned assets are all changes responsible for speeding China's financial and tax system reform, the official said.

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[Report by Lu Mu (7627 3668) and Liu Guosheng (0491 0948 0524): "Consolidate the Achievements of Reform Promote Deepening of Reform—Excerpts of Speeches at Forum on 'Draft Enterprise Law'"]

[Text] Editor's Note: Since the "Law on Industrial Enterprises Owned by All the People (Draft)" was promulgated to the whole nation and opinions were widely solicited, people in all walks of life have taken a keen interest in the matter. To further deepen the discussion, the Economic Legislation Research Center of the State Council, the China Economic Law Research Society, JINGJI RIBAO, the Economic Department of this newspaper, and the office of the magazine JINGJI FAZHI jointly invited on 5 February more than 60 people in economic law and industrial circles to hold a forum. Now, excerpts of some of the speeches given at the forum are published. [end editor's note] The "Enterprise Law (Draft)" Is a Product of Reform and Opening and Also a New Indication of the Deepening of the Enterprise Reform [subhead]

Gu Ming (director-general of the Economic Legislation Research Center and president of the China Economic Law Research Society): The "Law on Industrial Enterprises Owned by All the People (Draft)" (hereinafter called the "Enterprise Law (Draft)") is the most important law in the economic law. It is an effective tool and means to increase enterprise vitality, improve economic results, and stimulate the development of social productive forces. The "Enterprise Law (Draft)" now promulgated is a product of reform and opening. It is not only a new breakthrough in urban economic structural reform but also a new indication of the deepening of the enterprise reform.

As far as reaction to the "Enterprise Law (Draft)" after its promulgation is concerned, the general situation is favorable. This shows that there has been a good foundation for the "Enterprise Law (Draft)." By a good foundation, we mean that there has been an overall summary of the experiences of our country in the operation and management of enterprises owned by all the people in the past 39 years and that the results of the economic structural reform in the past 9 years have been given expression. After opinions are widely solicited, the "Enterprise Law (Draft)" will be supplemented, revised and perfected, and submitted to the Seventh NPC for examination and approval. After its promulgation and implementation, it will surely give a tremendous boost to the development of our socialist economy.

Ye Lin (vice chairman of the NPC Financial and Economic Committee): The basic trend and fundamental content of the "Enterprise Law (Draft)" suit China's national conditions. However, it must still be discussed, supplemented, revised, and perfected. It is hoped that in

the course of discussion and revision, we can better realize the spirit of reform, consolidate the results of reform, stimulate the smooth progress of reform, and guarantee the healthy development of reform. This is to say that it is hoped that we can better give expression to the principle of separation of enterprise ownership and the right of operation; better realize the spirit of separation of party control and administration; better reflect the role of workers as masters; better realize the integration of enterprise responsibility, power, and interests; and better bring about a gradual improvement in the degree of scientific management in enterprises and the strengthening of enterprise cooperation and integration with others and the competition mechanism.

Yin Guanghua (director of the Production System Bureau under the State Restructuring of the Economic System Commission): I was involved in a recent revision of the "Enterprise Law (Draft)." The guiding idea in the revision effort is to strive to better reflect the new experiences in enterprise reform in the past few years and consolidate the results of reform through legislation. Meanwhile, we are also to allow more room for future reform and stimulate the deepening of enterprise reform through legislation.

The "Enterprise Law (Draft)" now also includes "the state applying to enterprises the principle of separation of ownership and the right of operation." This is of unusually great importance. It can be said that this is the core of the "Enterprise Law." The highly concentrated embodiment of fundamental principles and practice regarding enterprise reform is graphically presented. Such tried-and-true ways of operation as contracting, leasing, and so on have been affirmed in legal terms. This is also of great significance and is universally hailed by enterprises.

Of course, the draft needs further revision to make it perfect. First, we must better handle the relations between the progressiveness of reform and the stability of law. There is something treated separately ahead of time, but it must partake of the nature of being roughly and not elaborately worked out. Second, we must better realize convergence with existing legislation and also dare to make a break with existing legislation in light of the practice of reform. Third, we must incorporate the principle of transferring property rights related to an enterprise.

Sun Shangqing (deputy director-general of the Economic, Technological, and Social Development Research Center of the State Council): The "Enterprise Law (Draft)" was not come by easily. Under current conditions, it has allowed the relatively proper handling of the relations between the stability of law and the varied nature of practice in reform and the relatively satisfactory embodiment of the direction for the separation of government administration and enterprise management, of ownership and the right of operation, and of party control and administration. It can be predicted that after

a further process of proper revision, supplementation, and perfection, its promulgation and implementation will play a positive stimulating role in our reform and its development.

Various views calling for revision that have come to my attention can be generally put in three categories. The first category involves certain ambiguities and differences about certain provisions of the enterprise law arising from our existing concrete historical circumstances. The second involves people who still do not understand the plan for legislation and the division of work. It is hoped that some relevant provisions can be incorporated in the enterprise law as much as possible, so that enterprise activities can have a legal basis in a more overall manner. The third category involves accuracy regarding expression and the use of terms, and the problem of thoroughness. Revisions and supplements can be relatively easily handled in this regard.

Any law in any era always has some historical traces. Under our country's concrete historical conditions, the formulation of an enterprise law is quite difficult and complicated. It will also surely leave a quite deep mark on history. Legislation should embody, protect, and stimulate reform. Meanwhile, law must also take account of the present state of things. Our country is in the midst of reform. The target pattern for the new system has been selected. However, in regard to concrete systems and methods, we must allow exploration, innovation, and continuous improvement. In the practice of reform, new things keep appearing. Law must leave room for their appearance and development. If certain current states of things are fixed in legal form, this will interfere with the deepening of reform. The contents of the enterprise law are quite inclusive, but they are, after all, limited. The demand for the perfection of the enterprise law can only be relative. Therefore, the demand for the stability of law should not be too exacting. After being further properly supplemented and revised, this draft should be made perfect. However, perfection is a process. Perfection will be continuously realized with the enrichment and development of the practice of reform.

As a Norm for the Readjustment of Various Economic Relations Among Industrial Enterprises, the Enterprise Law Must Be Linked With Other Legislation [subhead]

Cui Guanglin (accountant-general of the Oriental Heavy-Duty Machinery Consortium): The long-awaited "Enterprise Law (Draft)" has enabled our industrial enterprises owned by all the people to proceed on the path to the legal system. This is of great significance in solving some problems and defects universally existing in industrial enterprises owned by all the people and in increasing enterprise vitality.

My unit organized a discussion. Everyone put forward many constructive views. The introduction of the factory director responsibility system is an important reform in the enterprise leadership system. The reform of this

leadership system has been introduced for several years in my factory. It has played a very great stimulating role in my factory's development. However, we consider that what is set forth in the "Enterprise Law (Draft)" is too general. We therefore suggest that things can be put in clearer and more concrete terms. There should be a legal provision that protects the rights and interests of factory directors.

Article 36 says that "an enterprise must be guided by the financial system." The "Enterprise Law (Draft)" is a legal document. We suggest that it be changed to read that we should obey the law and legislation and pay taxes, hand over profits to the higher levels, and accept financial auditing in accordance with the law. Meanwhile, the word "expenses" in this article should be dropped to prevent the appearance of some "local policies" that leave an enterprise bound hand and foot and to avoid random imposition of allocations.

Horizontal economic integration is a problem of the direction for the development of existing enterprises. It represents an important content of the program for the reform of enterprises. Results have been seen in our country. But horizontal economic integration is not clearly defined in the draft. We consider that a separate chapter should be devoted in the draft to that matter, which should be fixed in legal form. This helps better guarantee the development of horizontal economic integration.

Rewards and penalties for enterprise operators represent an unusually important matter. Rewards and penalties cannot be dropped. Just giving rewards without the imposition of penalties, or just imposing penalties without giving rewards, does not help in arousing the enthusiasm of enterprise leaders and making them execute their duties to the best of their ability. The "Enterprise Law (Draft)" must clearly spell out the two sides of the matter—rewards and penalties. For example, in introducing the contract operation responsibility system at present, some enterprise leaders successfully meet contract requirements, with given assignments realized. Some have failed, for that matter, with given assignments not properly carried out. In both cases, it is difficult to act accordingly in regard to rewards and penalties. The basic reason for this is that there is no legal basis for proper action. Therefore, it is highly necessary to clearly spell out rewards and penalties. This makes it easy to take proper action and is likely to win the trust of the people.

Wu Xinghua (deputy director of the Beijing Internal Combustion Engine Factory): After a very long period of deliberation, discussion, and revision, the "Enterprise Law (Draft)" has given expression in a relatively satisfactory way to the independent position of enterprises legally in the process of the development of the socialist commodity economy. It embodies such fundamental national conditions of the country as the initial stage of socialism and is closely linked to the development of productive forces as a center.

Meanwhile, we feel that some problems in the "Enterprise Law (Draft)" need further discussion.

With the deepening of economic structural reform, there has appeared the situation of enterprises owned by all the people being merged with collectively owned ones, or collectively owned enterprises being merged with ones owned by all the people. Such enterprises have a mix of ownership by all the people, collective ownership, and even ownership by individuals. The economic needs of such enterprises must be affirmed in legal provisions. It is suggested that in Article 15 of the "Enterprise Law (Draft)," specially defined conditions for the establishment of industrial enterprises owned by all the people be added and be clearly applicable, as laid down in the annex, to enterprises that have ownership by all the people as their core and other economic components.

In the draft, duties for upper-level departments in charge of enterprises are not adequately spelled out. It is suggested that additional articles designed to prevent excessive intervention and ineffective services be provided. For example, we may add an article that the department in charge must give an answer within a specified period of time in regard to a plan that an enterprise submits according to the law for examination and approval, or in regard to procedures that must be handled through the department in charge and that, failing this, approval be taken for granted. We may also add an article that the relevant government department must be held responsible for economic losses brought to an enterprise due to its fault in the matter of examining and approving plans or handing down mandatory plans.

The problem of the position and role of the enterprise party committee should not be incorporated in this law. The enterprise law should not set a standard for the behavior of the party committee. Given a brief treatment, things will also not be defined clearly. It is still better to leave the matter to the decision of the party Central Committee.

The "Enterprise Law (Draft)" is a norm for readjusting various economic relations in the organization and management of industrial enterprises and in production and management activities. Therefore, it should be linked to other legal provisions, including the factory law on readjusting the relations between labor and capital, the labor law on readjusting labor relations, the trade union law, and so forth.

Lan Tiebai (deputy director of the national society on Economic Law Research Related to the Machine-Building Industry): This "Enterprise Law (Draft)" is obviously a great improvement on the previous draft. However, there is still room for improvement. Particular attention should be paid to how to link this law with various laws already promulgated. Here, we specially cite Article 54: "When products with substandard quality are produced

and cause direct economic losses to users and consumers, an enterprise should assume responsibility for compensation. When such major incidents as damage to state property, injuries or deaths, and so forth are involved, the relevant government department should put administrative responsibility on the leaders concerned and those directly responsible. When criminal law is violated, the judicial organ should place criminal responsibility where it should be placed."

There are obviously areas where this article is incompatible with Article 122 of the "General Rules of Civil Law." This article says: "When products with substandard quality cause damage to others' property or personal injuries, the producer and the seller should assume civil responsibility according to the law." This means that Article 54 of the "Enterprise Law (Draft)" does not specify civil responsibility of those causing personal injuries or deaths. This is not proper.

It is generally known that fake wines and bad-quality drugs can kill people. Boiler explosions cause personal injuries and deaths. Household electrical appliances can electrocute people. Lightning arresters, explosion-proof electrical machinery, and equipment and safety switches may not work, resulting in injuries and deaths and property damage. Recently, bad-quality vertical prisms and cross beams with rings and rope ladders were manufactured by a sporting goods factory of Qingyun County, Shandong, so that a snap caused the death of a 9-year-old student of Yian County, Heilongjiang Province. The consequences caused by poor-quality products turned out by factories regardless of civil responsibility are shocking. Such occurrences are also frequent. The objective situation cries for the use of legal means to solve the problem of product responsibility for personal injuries or deaths caused. The stipulations in Article 122 in the General Rules of Civil Law should be interpreted as our country having established a principle about legislation for product responsibility. They are also in keeping with the trend of rapidly developing world protection of the interests of consumers. They may also be treated as "the origins" of the product responsibility law likely to be formulated by our country. The establishment of this principle of legislation represents a step forward in our socialist economic construction and legislation efforts.

Therefore, it is suggested that Article 54 be revised as follows: "Those who manufacture products not up to standard should assume economic responsibility for direct economic losses caused to users and consumers. When there are major incidents involving state property or personal injuries or deaths, apart from compensation for losses according to the law, the relevant department of the government should put administrative responsibility on the relevant enterprise leaders and those directly responsible. Where criminal law is violated, the judicial organ may place criminal responsibility where it should be placed."

We Must Understand That the Separation of Ownership and the Right of Operation Is a Major Breakthrough in Socialist Economic Theory, But It Must Still Be Put in Concrete Terms [subhead]

Gao Chunde (Director of a district bureau under the State Planning Commission): The "Enterprise Law (Draft)" clearly makes known the separation of ownership and the right of operation. This is a major breakthrough in socialist economic theory and a scientific summary of experiences in the practice of the economic system and the enterprise reform. Experience shows that with the separation of ownership and the right of operation, enterprise vitality is stimulated. Competitiveness and adaptability increase. This will do nothing to weaken the socialist system of ownership by all the people. On the contrary, it will serve to further consolidate and strengthen the socialist economic foundation and its strength.

After the separation of ownership and the right of operation, the problem that follows is: What pattern can bring about a fundamental change in the mechanism for operation, with the relations between the state and enterprises thus further straightened out? Experience in the practice of reform in the past few years shows that the introduction of such economic responsibility systems as contracting, leasing, and so forth is an effective way to realize the separation of ownership and the right of operation and establish an enterprise operation mechanism for independent operation and self-responsibility for profits and losses. To prevent and overcome such phenomena in introducing the contract system such as trying in every way to reduce contract commitments, tearing contracts to pieces in the middle of a project, freely changing factory directors, illegally selling enterprise property, and so forth, we must define in concrete and clear terms in the "Enterprise Law (Draft)" that there is state control over ownership of enterprise assets, thus standardizing the relations between the state and enterprises.

Liu Wei (deputy director of the legal advice office of the Beijing Forklift Factory): "Ownership and the right of operation" can be separated. There has been a unified understanding of this. It was also affirmed by Comrade Zhao Ziyang in his report at the 13th National Party Congress. Therefore, it is necessary to incorporate this principle in the relevant law. The problem now is how to separate "ownership and the right of operation" and to what degree. In regard to theory and practice, a very good solution has not been found for the following problems. What is the meaning of ownership and the right of operation? How is expression to state ownership in enterprise operation activities given? How are relations between the rights and obligations of owners and operators defined?

Factory directors have generally complained about too many "inquisitive mothers-in-law." In their direct relations with enterprises, many departments are exercising

the right of state ownership, leaving factory directors helpless. This calls for studying how to resolve such points as: What departments should exercise macroeconomic control and indirect control over enterprises, and what departments should exercise direct control? We must fix in legal terms the mutual relations between these departments and enterprises and the way of direct control. Through a board of directors or other means, we may let a group composed of representatives of the rights of various quarters make joint decisions on the important operation activities of enterprises and, at the same time, assume responsibility for the appointment or dismissal of factory directors, their assessment, and their being rewarded and penalized. Factory directors are responsible only to such an organ.

Yin Shijun (deputy director and accountant-general of the No 1 Changchun Automobile Factory): There is a new breakthrough with the "Enterprise Law (Draft)": The legal position of enterprises is put in clear-cut terms. The central position of factory directors in enterprises is clearly defined. The rights and obligations of factory directors are clearly spelled out. Provisions are laid down with regard to knotty problems now confronting enterprises.

Based on our actual experiences, we feel that we must make further improvements and revisions by considering the following three problems:

1) Article 36 of the "Enterprise Law (Draft)" says: "Enterprises must act in accordance with the financial system, the labor wage system, and commodity price controls." It is right and proper for enterprises to follow these systems, but as most of these systems originate from various departments in charge, the systems are put in unusually detailed and concrete terms. On the other hand, the enterprise law has much to do with principle. There is no stipulated right for enterprises to refuse following certain systems that run counter to the "Enterprise Law (Draft)." Thus, the "law" is very likely to be made impracticable, with the "law" incapable of governing all systems. When there is a clash in execution between systems and laws, an enterprise will inevitably be at a loss what to do. This is the reason certain regulations could not be firmly carried out in their entirety in revitalizing large and medium-sized enterprises several years ago.

2) In the "Enterprise Law (Draft)" enterprise obligations and duties are elaborately defined, while the duties of the government department in charge are not spelled out with adequate clarity. The government department in charge has many instructions about the kind of products to be turned out by our factory. It is not good not to act on these instructions. But who is to be held responsible, if there is no market for the kind of products manufactured by following given instructions? Article 31 of the "Enterprise Law (Draft)" says: "An enterprise has the right to refuse accepting any manpower, material, or financial allocation imposed by any unit." Article 52 also

stresses that a relevant government department (mass organization) cannot encroach upon the decisionmaking power that an enterprise enjoys in regard to operation and management according to the law; cannot impose any manpower, material, or financial allocation on an enterprise; and cannot call on an enterprise to set up a certain organ or stipulate the number of members of the staff of an organ. The former and latter stipulations seem very complete. However, what should be done if certain relevant government departments impose an allocation on an enterprise against the law? The law fails to provide clear and concrete provisions.

3) The "Enterprise Law (Draft)" does not provide appropriate stipulations for the development of existing enterprise groups and enterprise companies. We suggest that consideration be given to enterprise groups and enterprise companies. Judging from the contents of the provisions in the relevant law, what the law protects is just the property that comes from the state. Should our interpretation of this just cover the part invested by the state? If this is so, then things are put in too narrow a sense. Now, with enterprises developing joint operations, apart from the original assets, the funds of relevant joint operators are also absorbed. Partnership is entered into, with the issue of stock. The owning of stock by individuals also cannot be ruled out. Enterprise funds in borrowings or loans granted are further included. All that is mentioned above is not invested by the state. Should there also be protection?

Xie Jianguo (director of the legal Advice office of the Capital Iron and Steel Corporation): The "Enterprise Law (Draft)" submitted to the NPC Standing Committee for discussion is a great fundamental enterprise law. To our understanding, its guiding idea is to cover enterprises owned by all the people. Recently, Comrade Zhiyang in his many references to the contract system pointed out that China must follow the road of the contract system. Only in Section 3 of Article 2 of the draft is mentioned this: "In accordance with the decision of the relevant government department, an enterprise can resort to contracting, leasing, and other versions of the operation responsibility system." The principle of the contract system is not defined. This is not enough. We consider that the fundamental principle of the contract system should permeate various chapters of the "Enterprise Law (Draft)"

Article 33 says: "An enterprise must fulfill mandatory plans in an overall manner." Article 50 again says that an enterprise "implementation program concerning a state mandatory plan" must also be subjected to such processes as examination, approval, and so forth by the relevant government department. This way of putting things actually means that the state is chiefly exercising direct control over enterprises through mandatory plans. For the state to hand down mandatory assignments calls for appropriations from the state; otherwise, an enterprise cannot afford to bear responsibility for what it cannot dispose of. There is still the need for a state

monopoly on purchase and marketing. This clashes with Article 2 of the General Rules that "an enterprise is a socialist commodity production and operation unit with independent accounting." In light of past experiences, mandatory plans do not work. Under the system of mandatory plans, the whole country is one big factory, with no decisionmaking power for enterprises.

Article 26 stipulates that "an enterprise should have the right to dispose of its own funds according to State Council stipulations." In other articles, however, there is also the provision that an enterprise must refer capital construction and major technical transformation projects to the relevant government department for examination and approval. Thus, what Article 26 says about an enterprise's right to dispose of its own funds becomes void. Capital construction covers a wide range. The building of a lavatory may also be put in the category of capital construction. Also, how should we distinguish between large and small technical transformation projects? Given a commodity economy, or given some projects based on the commodity economy, whether an enterprise has the right of expanded reproduction bears on its survival or bankruptcy. Now, some people consider that there will be a "loss of control" with an enterprise having the right to make investment decisions. Actually, the loss of control over investment is caused by a system of "a big rice pot" in the investment field with rights unaccompanied by obligations. After the introduction of the contract system, the Capital Iron and Steel Corporation used its own funds to expand reproduction and exercise great prudence in making investment decisions. During the Sixth 5-Year Plan, the Capital Iron and Steel Corporation reaped a profit of 1.49 yuan on every yuan invested. In the same period, only 0.3 to 0.5 yuan was recouped on every yuan invested in state technical transformation projects.

Article Defines 'Chinese' Business Conglomerate
HK241348 Beijing GUANGMING RIBAO in Chinese
6 Feb 88 p 3

[Article by Wang He (3769 3109): "Definition and Characteristics of a Business Conglomerate With Chinese Characteristics"]

[Text] With the in-depth development of lateral economic ties, business conglomerates are multiplying rapidly in China. It is necessary to clarify the qualitative definition of a business conglomerate because this is a starting point for an in-depth, systematic theoretical study. It serves as an important basis on which the state works out relevant policies to promote the development of business conglomerates and creates an environment conducive to their growth. It is an objective requirement for establishing and improving the management structure and the operational mechanism within the conglomerate. It also helps us to correctly develop a new pattern for the organizational management of the national economy and to rationally bring into play the status and role of business conglomerates in this pattern.

To clarify the qualitative definition of a business conglomerate, it is necessary to start from its nature and characteristics. The nature of a business conglomerate is determined by the objective demand of socialized mass production. It should generally include the following contents: Identical operational objectives, voluntary and independent combination, common interests, close and stable economic and technological ties, investment identities, and economic entities.

To suit the national conditions at the initial stage of socialism, a business conglomerate with Chinese characteristics has the following remarkable characteristics:

First, it is a compound body in which various systems of ownership penetrate one another. Based on the socialist system of public ownership, a business conglomerate consists of diversified economic sectors, such as enterprises under ownership by the whole people, enterprises under collective ownership, joint ventures, cooperative enterprises, joint-stock enterprises, private enterprises, foreign-funded enterprises, and so on. It is a pluralistic economic structure.

Second, it is an organic combination with a radiation and cohesive force. It generally places in the lead large and medium-sized key enterprises and manufacturers of famous-brand, quality, and special products. It concentrates the strong points of the enterprises as a group, brings into play the effects of scale, strengthens the internal organic links, and stimulates the scale rationality.

Third, it is an interconnected combination involving many regions at many levels. The enterprises joining a business conglomerate usually come from many regions and trades and are under diversified systems of ownership. They are divided into four levels: key enterprises, basic enterprises, satellite enterprises, and cooperative enterprises. In the first close level, the key members lose their qualifications as legal entities. Their original administrative subordination has changed and they assume sole responsibility for profits and losses in terms of funds, operations, management, technology, and labor. In the second semi-close level, the enterprises make joint investments, jointly operate common property, and assume responsibility for the business of the joint operation. In the third and fourth loose levels, the enterprises coordinate with one another and the enterprise legal entities joining the association respectively assume their responsibilities. For this reason, legally speaking, in the last two levels, the members' ownership of the means of production and their status as legal entities do not change, nor do their administrative subordination and the channels to deliver taxes. They gradually form a controlling, holding relationship between a parent company and its subsidiary companies, developing a circular or serial structure.

Fourth, it is a comprehensive body with multiple functions. A business conglomerate should be open. It should have multiple functions, such as production, scientific research,

exploitation, marketing services, and information. It has a stronger capacity to develop new products, to provide comprehensive supporting facilities, and to offer network services than an ordinary economic association.

Fifth, it is a combination of equal partners with common interests. The conglomerate is formed according to the principle of equality, voluntary participation, and mutual benefit. Each member has decisionmaking powers. It not only enjoys economic rights but also assumes economic responsibility, thus combining responsibility, power, and interests.

Sixth, it is a community with multi-angle operations and a strong competitive power. It integrates production, supply, and marketing. Its products are superior on the domestic market and are quite competitive on the international market.

From the nature and characteristics of a business conglomerate we can see that the definition of a business conglomerate with Chinese characteristics should be as follows: It is a multi-level, diversified, joint-stock, large enterprise based on the socialist system of public ownership, which places in the lead one or several large, key enterprises, which manufacture famous-brand, quality products, which is linked to production, technology, and operations, which is an economic entity with the qualification of a legal entity formed by production enterprises, scientific research units, and business organizations on the basis of equality, voluntary participation, and mutual benefit, which combines production, supply, marketing, and human, financial, and material resources, and which enjoys economic rights, assumes economic responsibility, and integrates responsibility, power, and interests.

The members joining a business conglomerate must have the following qualifications: 1) They are enterprises and institutions engaging in production, business operations, transport, scientific research, and teaching activities; 2) they should have the qualifications of legal entities; 3) they should operate under a business license and a credit guarantee and in keeping with rights granted by other rules and regulations; and 4) they should consciously abide by the rules of the joint operations.

Six basic conditions are required for the setting up of a business conglomerate. They are: 1) It should have more than one famous-brand, quality product which are readily marketable; 2) it should put in the lead one or more key enterprises which have a relatively strong economic, technological, operational, and development power and potential for the development of its products; 3) it should have a broad scope and considerable personnel, funds, and facilities; 4) it should be based on the system of public ownership and joined by many enterprises and scientific research units with inherent economic and technological links; 5) it should have unanimously agreed and relatively flexible rules and regulations; and 6) it should have a perfect management system.

We should uphold the principal qualifications in line with the qualitative definition of a business conglomerate and act according to the necessary conditions for the establishment of a business conglomerate. This is a precondition for the sound development of a business conglomerate and an effective measure for preventing the establishment of business conglomerates by administrative means.

A business conglomerate is different from a business company in the following ways: 1) The management pattern is different: A business company is a unified economic entity with multi-level management instead of multi-level association; a business conglomerate, however, is a multilevel association with the key enterprises as a nucleus and with different degrees of combination. 2) The internal management is different: There is a vertical relationship between the leader and the led in a business company but there is a horizontally equal relationship among the enterprises in a business conglomerate. 3) The management institutions are different: A business company has a complete management institution while a business conglomerate has a coordinating institution. 4) The relationship with the competent departments is different: There is a direct relationship of administrative subordination between a business company and a competent department but there is no direct relationship of administrative subordination between a business conglomerate and a government management institution. Moreover, the government's economic and administrative organs at all levels manage business conglomerates only through indirect guidance, adjustment, and service.

Article on Enterprise Group Development
HK241045 Beijing JINGJI GUANLI in Chinese
No 1, 1988 pp 24-27

[Article by Gu Renzhang (7357 1103 4545): "Several Questions on the Healthy Development of Enterprise Groups at Present"—edited by Feng Baozeng [7458 1405 2582]]

[Text] Following the deepening of urban economic structural reform and the breaking down of industrial corporations of an administrative nature, enterprise groups of different forms and of different scales have appeared in all areas. This article gives a few ideas on several questions which need to be studied and resolved in the development of enterprise groups.

Shanghai enterprise groups are developing on the basis of promoting lateral economic alliances and expanding the decision-making power of enterprises. Of these enterprise groups some use famous-brand products as their key force and take backbone enterprises as their center with the aim of expanding production capacity for their products and increasing market share; some are industrial-trading combines which have internal contacts and are pushing outwards, jointly opening up international markets; some are alliances between production and

scientific and technological research, and the corporation supplies new products to member enterprises; some provide "start-to-finish" services while others engage in "start-to-finish" production; and some develop new industries and tertiary industry. All of these play a positive role in expanding the production of Shanghai's superior products, in raising the level of specialized cooperation, in strengthening enterprises' capacity to earn foreign exchange through exports, in maintaining trade superiorities, in breaking down regional and departmental divisions, and in promoting the rational flow of production factors.

The aim of organizing enterprise groups is to tap existing production potential, achieve the best arrangement of production factors, and comprehensively bring into play the economic superiorities of enterprises to further develop the productive forces, promote the socialist commodity economy, and promote the deepening of the economic structural reforms. The organizing of enterprise groups should be done in accordance with actual needs and gradually expanded. When one is mature, the next one should be developed. It is necessary to guard against "following the trend" and "rushing headlong into mass action", and having people organize these for the sake of organizing them. At the same time, the nature of enterprise groups is that they are organized through lateral alliance. They should not become a vertical management level. When organizing these groups it is necessary to proceed on the principles of working from bottom to top and of voluntary alliance, so as to avoid having them become yet another administrative level.

I. In Organizing Enterprise Groups it Is Necessary To Carry Out Feasibility Research [subhead]

Organizing an enterprise group is a complex systematic process. Just having high hopes for alliance is not sufficient and, before organizing, it is necessary to seriously carry out feasibility research strictly in accordance with scientific procedures.

The research referred to here should include five aspects:

1) The times and historical background in which the organizing of the enterprise group is to be carried out. This should mainly involve studying whether or not the organizing of the enterprise group accords with the demands of socioeconomic development. It should also include an overall investigation of the state economic policies in respect to this type of enterprise group, the resources, technology, markets, industrial structure, and regional deployment of relevant enterprise groups, and the common targets of enterprise groups. 2) The situation in terms of sources and supply of resources for the enterprise group. This includes the supply and usability of raw materials, supplementary materials, coordinating parts, jointly used equipment, energy, communications and transport, and the conditions for cooperation and coordination. These are all important factors relating to whether an enterprise group can develop or not, and in these respects it is necessary to grasp full and reliable

data. 3) Organizational plans for the enterprise group. This involves the setting down of the strategic goals, operational orientation, and scale of operation of the enterprise group and making choices in terms of alliance partners, alliance contents, and alliance forms. It will also be necessary to put forward various constructive proposals in terms of the management system, organizational set-up, and management forms within the enterprise group. 4) The financial and economic assessment of the enterprise group. This includes research into the overall investment expenses, fund raising forms, overall costs of production and sales, internal profit rates, investment repayment cycles, and profit and loss analysis. The question of the interests distribution within the enterprise group should be a focal point of research. 5) The national economic appraisal of enterprise groups. This involves an assessment of the enterprise groups, an analysis of the major advantageous and disadvantageous conditions of the enterprise groups, as well as a feasibility assessment of realizing enterprise groups as a form of economic alliance, all from the angle of the national economy.

The advantages of carrying out feasibility research are first, it helps reduce the danger of enterprise groups suffering setbacks and second, it helps clarify the forward orientation for the enterprise groups. Currently, although Shanghai in organizing enterprise groups has begun this work, as they have just started it is imperfect and requires continuous summing up and improvement in practice.

II. Actively Recruit Scientific and Technological Research Organs To Participate in the Enterprise Groups [subhead]

Following the organization of enterprise groups and the deepening of the reform of scientific and technological structures, new changes have begun to occur in the combination of scientific and technological research units and enterprises. According to an investigation by 100 scientific and technological research units (including the technological development research units in seven major Shanghai industrial bureaus as well as central departments' Shanghai-based units), 43 units have already entered alliances with enterprises or enterprise groups, of which 11 have close alliances and 32 have loose alliances. There are a further 20 units which are considering entering into alliances. Of those scientific and technological research units which have already entered into alliances with enterprises or enterprise groups, some have already achieved initial results which have been well-received by the enterprises.

For a long time past our country's science and technology structure has had the scientific and technological research organs of government departments as the dominant force. This has formed a closed structure whereby the scientific and technological research systems have each engaged in their own self-improvement. The problem with such a science and technology structure is that the scientific and

technological research organs are separated from enterprises and scientific and technological research is divorced from production. When new products are being developed through research no, or very little, consideration is given to the production realities in the factories which will produce them. Thus, when they make samples they find that there is no factory which can produce the product. In other cases, although they can be produced it takes quite a long period of time for production capacity to be truly formed. After scientific and technological research units join with enterprise groups, research projects can be chosen by proceeding from the production reality. This will raise the speed of transformation of scientific research results and within a short period of time the results will be able to be disseminated and utilized. Having scientific and technological research units join with enterprise groups will also make up insufficiencies in enterprises' own scientific and technological research strengths, speed the development of new technologies and new products, and thereby improve enterprises' capacity for competition in the socialist commodity economy. At present in Shanghai there are not many large- and medium-scale enterprises which have organs which solely engage in technological development. According to data from a general science and technology survey in 1986, of 490 large- and medium-scale enterprises, only 193 had special research development organs. Meanwhile current tasks for independent scientific and technological research units do not take up all available resources, and one-third of scientific and technological strength is not fully utilized. If we are able to achieve alliances between the science and technology system and enterprises, these latent scientific and technological capacities can be fully brought into play.

When scientific and technological research organs enter alliances with enterprise groups, they enter a relationship of interdependence where each shares good and bad with the other. The orientation of research and the major tasks of the research unit are determined by the enterprise group, who supplies the funds. As the technological development department of the group the research unit has a responsibility for the group's technological progress, and serves the production and technological development of the group. However, as enterprise groups have only just begun to be organized the relationships between the various sides has not yet been sorted out, and the various policies are not yet coordinated, it is not possible for scientific and technological research organs on joining the groups, to achieve the above-mentioned ideal model in their relationship with the group, and they will have to go through a transitional period. At present, we should use the loose alliance as the main form and gradually develop toward close alliances. After scientific and technological research units join the enterprise groups they can retain relative independence, enjoy a certain amount of decision-making power, gradually implement independent accounting, and continue to take on scientific and technological research tasks entrusted to them by the state or by relevant departments. The enterprise groups should, from their retained profits, gradually increase technological development funds and gradually take on the expenses of the scientific and technological research units which have joined the group.

III. Participation of Banks in Enterprise Groups Should Occur Gradually [subhead]

The emergence and development of enterprise groups has put forward new tasks for the financial system reform.

In the last few years the Shanghai financial call loan, foreign exchange, and stock and bond markets have taken embryonic form, and the business overlap in the Communications Bank, the Industrial and Commercial Bank, the Construction Bank, and other specialized banks has seen development. These changes have provided convenience for enterprise financial activities. Following the development of financial system reform there are now quite a few banks and financial organs which support the enterprise groups through various forms. This provides convenience to the groups in opening and closing accounts and in borrowing. However, up until now very few have directly participated via investment. The enterprise groups, especially the quite large-scale groups, hope that the banks will participate so as to bolster the groups' financial strengths and to provide convenience in terms of financing, financial planning, investment, and guarantees. Thereby the credit-worthiness of the groups will be increased and their competitiveness strengthened. Thus, how banks are to better support the development of enterprise groups so as to provide a comfortable financial environment for these groups is a real problem which needs to be studied and resolved.

Foreign experiences show that most enterprise groups have a bank or other financial organ as their center, or else they maintain a very close relationship with a bank. For example, each party takes shareholdings in the other, the two sides exchange high-level managerial staff to participate in the management of the other party, and the consultative department of the bank provides economic information and consultative service on a priority basis. The bank's capital and the industry's capital blend and merge, one with the other, forming a "community of common fate." This is beneficial to increasing the strength of the group and its competitiveness, and gives it a priority position in the international market. If we are to have our country's enterprise groups quickly develop and enter the world's markets it clearly will not be helpful if they do not have the support and participation of financial forces. Banks' support for enterprise groups can, apart from including support in terms of opening accounts and credit, also include the selection of enterprise groups which have good economic results and great social influence. Then, in accordance with the investment needs of the enterprise group and the financial capacity of the banks themselves, they can appropriately participate through investment. Banks' participation in the enterprise groups through investment will play a more major role in bringing into play the superiorities of both the enterprises and the banks in arranging multichannel financing, in correctly guiding the orientation of funds, in deepening lateral economic alliances, and in promoting the development of enterprise groups.

Of course, getting banks to participate in enterprise groups at present is not something which can be completely achieved in a short period. This is because the reforms of the enterprise operation system and the financial system have just begun, and these reforms are also subject to the restrictions of the reforms in the planning, pricing, financial, and the tax systems. The process of getting banks to participate in the groups can be divided into two steps: 1) First, having loose alliances whereby banks and financial organs represent the enterprise groups in issuing bonds and shares, or where they select some enterprise groups with good economic benefits as long-term cooperation targets, and support them in their economic development. 2) Developing close alliances and establishing production enterprise group and financial enterprise group alliances. These could be, for example, banking companies (or financial companies) for large enterprise groups and would be units with independent accounting and responsibility for their own profits and losses. Internally they would be responsible for all financial activities within the group, including the raising of funds needed by the group, the investment orientation for funds, financial budgets, and external financing. Externally, they would have the same rights and obligations as other financial organs and would develop business and compete under the same conditions.

IV. Within Enterprise Groups There Must Be Rational Distribution of Earnings [subhead]

Within enterprise groups there must be rational distribution of earnings so as to increase the cohesion and vigor of the group. Economic benefits are the bond in economic cooperation, and if the healthy development of the enterprise group is to be guaranteed it is necessary to properly handle the economic interests relationship between the various member enterprises of the group, and truly achieve a situation of "common enjoyment of benefits and rational distribution." Common enjoyment of benefits is not engaging in egalitarianism or eating from "the big pot." Rather, it is a means of closely linking up enterprises' economic efficiency with their economic interests. Those enterprises with good economic efficiency should get a bit more in terms of economic benefits, while those whose efficiency is lower should get a bit less. The realization of common enjoyment of benefits is dependent on rational distribution, and in the distribution process within the enterprise group all member enterprises should strictly act in accordance with the principles of "equality and mutual benefits." Actions which involve taking others' benefits or squeezing others for benefits should not occur. Seen from the current practice of enterprise groups, two tendencies exist: 1) The guiding ideology for some group members to participate in the group is in an effort to eat from "the big pot". They want to rely on others and obtain benefits without putting in any effort. This type of alliance will not be of help in bringing into play the group's superiorities, and in fact will actually counteract those superiorities. 2) Some members of the group,

drawing on their own power and various superiorities, "scrounge benefits" from other member enterprises during the distribution process. If these two tendencies are not speedily corrected they may weaken the cohesion of the groups.

If enterprise groups are to achieve rational distribution of benefits they must pay attention to studying the following three aspects:

1. They must concurrently consider the interests of the state, the group, and the member enterprises. The links and factors involved in the process of distribution of enterprise group benefits are far more more complex and numerous than those for a single enterprise, and it is necessary to properly coordinate the three economic interests of state benefits, group benefits, and member enterprise benefits. Whenever conflict occurs it is necessary to adhere to the principle of state interests and of collective interests being most important. This is the basic starting point in rational distribution.

2. It is necessary to implement the principles of equality, mutual benefit and exchange at equal value. Equality is the basis of alliance. The relationship between members of a group is not an administrative relationship of leader and led but rather is a relationship of socialist economic partners. Regardless of whether enterprises are large or small they should be treated the same and if problems occur in the alliance, they should be resolved through the method of consultation with equal status. Mutual benefit is the core of alliance. All of the members which constitute the group have their own economic benefits and only if there are mutual benefits on the economic level will all sides of the alliance have enthusiasm. Harming the interests of any side will affect and rock the unity of the group. In the process of exchange, commodities must be exchanged at equal value. As the economic dealings between members of the enterprise group are still under the category of commodity exchange, the principle of exchange at equal value must be upheld.

3. A scientific method should be used to rationally carry out distribution. The key question in the distribution of a group's benefits lies in determining coordinated prices for intermediate products. This is because each enterprise member, after providing the coordinated parts, carries out accounting with the member receiving the goods on the basis of intermediate product price previously determined, thereby obtaining appropriate benefits. If the coordinated price is too high the earnings of the member receiving the goods will be affected. If it is too low the supplying member's earnings will decline. Thus how to establish a rational intermediate product price, so that all sides are happy, is a difficult problem which cannot be easily resolved. In order to achieve rational distribution, and motivate the production enthusiasm of the member enterprises, some groups have studied the experiences of the Chongqing region and begun to adopt the "double distribution" method. The "double distribution" method means that the groups income distribution is completed twice. The first distribution is carried out on the basis of the target cost for each coordinated part as determined by the target cost (or standard cost, or planned cost) of the final product as previously jointly decided. These are then used as the accounting costs and the discrepancies between the accounting costs and the actual costs of member enterprises are the profits or losses of those enterprises. The second distribution takes the amount of income derived from the final products less the target costs, that is the profits, as the distribution funds. These are then distributed in accordance with the proportion which the costs of each coordinated part supplied by the member enterprises constitutes in the cost of the final product. The first distribution compensates each member enterprise for what they have expended in costs, while the second distribution involves the allocation of the group's profits. This method ensures that each member enterprise not only pays attention to keeping its own production costs down, but also that they concern themselves with the production costs of the final product. Through the bond of earnings distribution, this method strengthens group consciousness and thus it has positive significance. However, at present the type and scale of our country's enterprise groups are not uniform, and it is not possible to take the "double distribution" method as a unified distribution model, and the various enterprise groups should make their own distribution arrangements in accordance with their own needs.

East Region

Leaders Attend Opening of Anhui CPPCC Meeting OW250103 Hefei ANHUI RIBAO in Chinese 25 Jan 88 p 1

[Excerpts] The first session of the Sixth Anhui Provincial CPPCC Committee opened ceremoniously in the Jianghuai Theater in Hefei on the morning of 24 January.

The session will discuss the major policies of Anhui Province and future work of the provincial CPPCC committee in accordance with 13th CPC National Congress guidelines. It will also elect new leadership of the provincial CPPCC Committee.

Seated on the rostrum were the executive chairmen of the session Shi Junjie, Xu Leyi, Ma Leting, Wang Zenong, Liu Yiping, Guang Renhong, Sun Youqiao, Pan Ezhang, Teng Maotong, Meng Yiqi, and Cao Zhengqiu; Zhang Binglun, secretary general of the session; and all members of the presidium of the session.

Present at the opening meeting were Li Guixian, secretary of the provincial party committee; Wang Guangyu, chairman of the provincial People's Congress Standing Committee; and Acting Governor Lu Rongjing. They extended their warm greetings to the session. [passage omitted]

Amid warm applause, Shi Junjie delivered a "Report on the Work of the Provincial CPPCC Committee in the Last 5 Years and Its Future Tasks." [passage omitted]

Other responsible comrades of the provincial party committee, the provincial Advisory Committee, the provincial People's Congress Standing Committee, the provincial people's government, the Anhui Military District, and the provincial Discipline Inspection Committee also sat at the rostrum. They extended greetings. They were Fu Xishou, Meng Fulin, Yang Yongliang, Liu Guangcai, Zhao Baoxing, Wang Shengjun, Shi Lei, Shao Ming, Cheng Guanghua, Hou Yong, Cui Jianxiao, Su Hua, Wei Xinyi, Xia Deyi, Zheng Rui, Yang Chengzong, Zhao Minxue, Ying Yiquan, Kang Zhijie, Du Weiyou, Chen Tingyuan, Yang Jike, Wang Houhong, Song Ming Long Nian, Wang Sheyun, and Li Yuanxi. Responsible persons of PLA units and the provincial People's Armed Police Corps Zhou Fang, Wei Bin and Zhou Aiyi were also seated on the rostrum.

Also present at the meeting were responsible persons of the fifth provincial CPPCC Committee Zhang Kaifan, Sun Zongrong, Li Qingquan, Zhu Nong, Chai Dengbang, Zheng Jiaqi, Chen Tianren, Ding Jizhe, and Li Jixiang. [passage omitted]

Paper Hails Shanghai's New Economic Outlook HK250911 Beijing RENMIN RIBAO in Chinese 16 Feb 88 p 1

[Commentator's article: "Praiseworthy Reflections"]

[Text] Today, this newspaper carries a report entitled "Shanghai Is Rising Vigorously Through Reflections." The report shows that comrades in Shanghai are resolved to emancipate their minds, boost their spirits, exploit Shanghai's advantages, overcome difficulties in their work, and rapidly and vigorously develop Shanghai's economy. Their spirit is worth praising.

Shanghai is a large city that influences the whole country. Since the founding of the People's Republic, Shanghai has contributed some one-eighth of the national financial revenue to the state treasury. Each year, more than half of Shanghai's income is turned over to the state and is used by the whole country. Shanghai has made major contributions to the development of the national economy and has made sacrifices for the reforms in the whole country. Shanghai's economy was a typical example of the planned economy based on a high degree of centralization, which existed for a long time in our country. Now, Shanghai is facing new difficulties in the course of shifting to a planned commodity economy. Its difficulties are typical of transient difficulties for most of the large and medium-sized cities in our country in the course of reforms.

It is commendable that the leading cadres in Shanghai have demonstrated high courage and determination in the face of difficulties. They have brought their drive into full play and courageously met the new challenges in their work. Whenever they encountered a problem, they mainly found the subjective causes in their own work, and seriously examined their work. This spirit is worth praising.

The courage to squarely face and examine one's own shortcomings demonstrates a kind of in-depth reform and historical progress and a spirit of continuous self-renewal and self-improvement. This makes us believe that Shanghai's economy will continue to boom. Through reflection, Shanghai has come to realize that only by thoroughly changing long-standing ideas and habits formed under the product economy, strengthening the notions of the commodity economy and the sense of reform and opening up, and actually judging all work according to the yardstick of developing the productive forces can Shanghai really bring its comprehensive economic advantages into full play. Only through these measures can Shanghai be more vigorous in the development of the commodity economy, and give a great impetus to step onto the stage of the world economy more bravely. Shanghai's experience is also useful for all other parts of the country.

In recent years, reforms and opening up in all parts of the country have achieved great results. But, developments are very uneven in speed, scope, and depth. Big gaps exist between the advanced and the backward. All localities, especially the localities which promote reforms and opening up slowly, should have a sense of crisis and urgency like Shanghai. They should analyze their favorable and unfavorable conditions and factors scientifically, overcome a passive attitude, learn earnestly from the experience of advanced localities, and form a spirit of making progress vigorously and breaking new ground and a social environment that promotes and protects the development of the commodity economy. Then, we will certainly be able to overcome all sorts of difficulties, further advance reforms and opening up, and create a new situation in economic development.

Shanghai Joint Ventures' Output Rises Sharply
*OW250127 Beijing XINHUA in English 1658 GMT
24 Feb 88*

[Text] Shanghai, February 24 (XINHUA)—Shanghai's 30 largest Sino-foreign joint venture enterprises produced 1.36 billion yuan worth of goods last year, more than two-and-a-half times the value in 1986, the Shanghai Municipal Economic Commission reported today.

The combined profit of 23 of the enterprises were up 178 percent from the previous year.

Seven of the enterprises were in the red. One was the result of failing to adapt itself to changing international markets. The rest lost money because they were still in the primary stage of operation, the commission said.

Last month, Shanghai approved 15 projects with direct foreign investment of more than 30 million U.S. dollars.

By the end of January, the city had 303 foreign-funded enterprises.

Central-South region

Shenzhen Plans Progress in Political Reforms
*HK250517 Guangzhou Guangdong Provincial Service
in Mandarin 1030 GMT 24 Feb 88*

[Text] Shenzhen City will take new strides in political structural reform this year. The basic idea on this topic now proposed by the city party committee is to further perfect the separation of party and government functions; get a good grasp of cadre employment and management; abolish in batches the party groups in the government departments; and make preparations for instituting the civil servant system in the special zone, as part of perfecting the cadre and personnel system.

The city will continually make the leading organs more open and transparent, so as to turn policy-making into a democratic and scientific business. Here it is first necessary to set up a system of holding meetings to discuss

principles and guidelines, to allow people of foresight in society to put forward their views to help in the leadership's policy-making. Second, the system of executive meetings convened by the mayor will be put on a more sound basis, so that the major policy decisions of the city government can be promptly conveyed to the citizens. Third, a city government policy-making consultative commission and a high-level think tank will be set up, in order to listen to the evaluations and assessments of experts from all sectors regarding major policy decisions in the special zone and to undertake research and so on for the major policy-making work of the city party committee and government.

Hainan Farms Urged To Practice Market Economy
*HK241312 Haikou Hainan Island Service
in Mandarin 1100 GMT 22 Feb 88*

[Excerpts] According to a HAINAN RIBAO report, during the Spring Festival, Xu Shijie, head of the preparatory group for the establishment of Hainan Province, went to some farms on an investigation tour. He stressed looking into and studying the economic and construction conditions of state farms. He put forward demands on promoting the island's agricultural and reclamation system in the days to come. [passage omitted]

Early on Lunar New Year's Day [17 February], Xu Shijie and members of his party left Haikou by car. They spent a total of 5 days in (Xilian), (Jiakai), (Dongxing), and (Hongming) farms, and the (Baoqing) Institute of Tropical Crops. During the 5-day tour, they held forums at the farms and the institute. [passage omitted]

In his speech at one of the forums, Xu Shijie said: Leaders at all levels must get a clear understanding of the situation, and adopt new ideas. In the past, we practiced planned economy. Now, as we are turning Hainan into a large special economic zone, we must practice market-directed economy. Regarding state and collective enterprises, cooperative and individual economies, and other economic sectors, the state policies treat them equally without discrimination, and encourage different economic sectors to compete with one another and to develop in concert under the same conditions. The guiding ideology for state farms must be changed. From now on, our state farms must shift their ideological focus from the promotion of product economy to the development of commodity economy, take the initiative in welcoming challenges, and participate actively in competition. [passage omitted]

While conducting investigations and studies, Comrade Xu Shijie paid a good deal of attention to the public security of farms. He stressed: All county party and government leaders, public security organs, and farms and rural areas must unite with the masses, and punish according to law leaders of those groups engaged in tapping rubber at farms either by stealth or by force.

They must also punish according to law all other criminal elements that have seriously jeopardized public security. We must never be soft on such leaders and criminal elements. We must safeguard normal production order in state farms and rural areas, enabling the masses to keep their minds on the development of production. [passage omitted]

Henan Leaders on 'Grim' Wheat Production
HK241100 Zhengzhou Henan Provincial Service
in Mandarin 2300 GMT 21 Feb 88

[Excerpts] The provincial party committee and provincial people's government last night [21 February] held a joint telephone conference. The participants called on all areas to further mobilize the masses to quickly start an upsurge in spring wheat field management concentrating on fighting drought and topdressing. They also tried in every possible way to strive for a bumper summer grain harvest this year.

Attending and addressing the conference were Cheng Weigao, deputy secretary of the provincial party committee and governor of the provincial people's government; Hu Xiaoyun, deputy secretary of the provincial party committee and vice governor of the provincial government; and Song Zhaosu, Standing Committee member of the provincial party committee and vice governor of the provincial government.

Comrade Song Zhaosu first made arrangements for promoting the spring wheat management on behalf of the provincial party committee and provincial government. He then said: Last year the wheat fields in our province were hit by various natural calamities. Generally speaking, this year's wheat seedlings in our province are not doing as well as last year's. The more serious problems are: Since the beginning of winter, there has been basically neither rainfall nor snowfall in our province. As a result, the drought has continued. Over 50 million mu of wheat fields in our province are afflicted with drought, thus creating serious adverse effects on the growth of wheat. All areas must fully understand the current grim situation of wheat production, increase their sense of urgency, and enhance their consciousness of promoting wheat field management. We must overcome the idea of leaving things to chance, foster the idea of fighting natural calamities and striving for bumper harvests, and be determined to promote successfully the spring wheat field management. [passage omitted]

Comrade Song Zhaosu said: We must strive to fulfill or overfulfill the plan for irrigating 35 million mu of spring wheat fields. [passage omitted]

In his speech at the conference, Comrade Hu Xiaoyun said: In conducting wheat field management, we must take such measures as are suitable to local conditions, do what is suitable to the occasion, pay attention to changes in climate, and adopt measures in the light of actual conditions.

Lastly, Cheng Weigao, governor of the provincial people's government, stressed: Our spring wheat field management is aimed at striving for a bumper summer grain harvest this year. We must adopt relevant measures, and be determined to promote wheat field management. [passage omitted]

Governor Cheng Weigao added: The provincial party committee and provincial government are very anxious about the current wheat production. It is hoped that people from top to bottom will unite as one, and make concerted efforts to promote wheat field management.

Hubei Issues Rules for Scientific Organs
HK241148 Wuhan Hubei Provincial Service
in Mandarin 1000 GMT 22 Feb 88

[Excerpt] On 11 February, the provincial people's government promulgated its "Measures for Administering Nongovernmental Scientific and Technical Organs in Hubei Province—for Trial Implementation." According to the measures, the provincial government encourages and supports the vast numbers of scientific and technical personnel to do an even better job of serving the four modernizations. It allows scientific and technical personnel at their posts in enterprises to hold concurrent posts or short-term full-time posts at nongovernmental scientific and technical organs with the aim of setting up operational entities that are engaged in technological development, transfer of technology, and technological services, on the premise that such scientific and technical personnel have completed their own regular work. [passage omitted]

Southwest Region

Guizhou Meeting Discusses Emancipating Mind
HK250049 Beijing RENMIN RIBAO in Chinese
20 Feb 88 p 1

[Report by correspondent Pan Didu (3382 1593 6757): "The Guizhou Provincial CPC Committee Standing Committee Holds a Meeting To Study Comrade Zhao Ziyang's Article in Light of Reality"]

[Text] The Guizhou Provincial CPC Committee Standing Committee recently held a meeting on democratic life. They studied conscientiously Comrade Zhao Ziyang's article "Further Emancipate the Mind and Further Liberate the Productive Forces," conducted self-examination in close connection with ideological and work realities, and summed up experiences and lessons. They also regarded further emancipation of the mind as the prerequisite for accelerating and deepening reform, held that the key to emancipating the mind lies in freeing leaders from old ideas, and called for truly emancipating the mind while developing productive forces.

At the meeting, provincial party committee Standing Committee members conducted self-examination in close connection with some issues concerning Guizhou's failure to fully emancipate the mind.

First, the issue of developing collective economy in cities and towns. Over the past few years, the speed of development of collective enterprises in Guizhou was far less than the national average. As far as the whole country is concerned, the speed of development of collective enterprises has been higher than that of enterprises under ownership by the whole people. However, in Guizhou Province, the speed of development of collective enterprises has been lower than the speed of development of enterprises under ownership by the whole people. A glaring problem that affects Guizhou's economic development is Guizhou's failure to successfully promote its city and town enterprises. As far as its policy making is concerned, Guizhou has failed to eliminate some impractical old restrictions imposed on collective enterprises.

Second, the issue of reinvigorating urban economy and county-level economy. Guizhou has failed to fully reinvigorate its key city economy and county-level economy for two reasons: 1) It has failed to truly transfer power to lower levels; 2) There are some malpractices in its financial system. Regarding the issue of transferring power to lower levels, Guizhou seeks stability and is apprehensive that there might be chaos. Due to institutional problems in the Guizhou financial system, there have been adverse effects on the enthusiasm for handing in profits to the state, covering deficits by state subsidies, and increasing income. The financial system must be reformed urgently and perfected.

Third, the issue of qualified personnel. One of Guizhou's major problems is that it has not paid sufficient attention to adopting effective measures for introducing the competitive mechanism, promoting rational flow of qualified personnel, and creating an environment for the emergence of qualified personnel. As a result, in using and promoting cadres and in deciding on the job titles of cadres, Guizhou has shown various irrational phenomena, including the practice of considering qualifications and arranging ranks according to seniority. Guizhou has also shown egalitarian practices regarding distribution and giving awards.

Fourth, the issue of opening to the outside world. Regarding reform of its foreign trade system and the use of domestic and foreign funds, Guizhou has failed to suit the needs of the development of the situation in this regard, lacks flexible policies in this regard, and has also failed to create a relatively fine investment environment.

Judging from these conditions, the Standing Committee members noted: To accelerate and deepen reform and to promote economic development in Guizhou, we must further emancipate the mind. The key to emancipating the mind lies in freeing leaders from old ideas. Members

of the provincial party committee must first set good examples in this regard. We must do well in conscientiously resolving the following few issues.

First, we must be bold in smashing the trammels of the rigid, ossified ways of thinking and systems and be truly based on the fact that we are in the initial stage of socialism. We must fully understand that it is our long-term policy to develop commodity economy, diverse economic sectors, and multiple distribution methods and that it is imperative to unswervingly uphold this policy for a long time.

Second, we must be bold in proceeding from the real conditions of Guizhou, truly gain a foothold in Guizhou, and integrate the central spirit and experiences gained by other parts of China with the real conditions of Guizhou. We must dare to break through rules and regulations that do not conform to the real conditions of Guizhou Province and formulate a series of policies, measures, and methods that conform to the real conditions of Guizhou Province and are conducive to the development of productive forces.

Third, we must be bold in making explorations and bringing forth new ideas, respect and support the creativity of the masses, dare to affirm things that contribute to the development of productive forces, and dare to eliminate things that are detrimental to the development of productive forces.

Fourth, we must be bold in eliminating interference and obstruction, vigorously ensure implementation of our policies, and give full play to the might of our policies.

Authorities Taking Precautions in Lhasa
HK251034 Hong Kong AFP in English 1010 GMT
25 Feb 88

[Text] Beijing, Feb 25 (AFP)—Chinese authorities have been taking precautions to prevent renewed anti-Chinese unrest as thousands of Tibetans arrive in Lhasa to celebrate a major religious festival, according to travelers returning from the Tibetan capital.

The sources said thousands of Tibetans from the countryside, including many poor peasants, have descended upon Lhasa to mark the "Great Prayer" festival which begins Thursday with a visit to the Jokhang Temple, the most holy shrine to Tibetan Buddhism.

Chinese authorities are allowing the Great Prayer festival, which includes eight days of prayer, to go ahead for only the second time in 20 years.

The sources said few uniformed policemen have been visible in the streets of Lhasa over the past few days, but that the authorities appeared ready to act in case of trouble.

For several days, all vehicles in Lhasa have been required to have special police passes, while the authorities have prohibited pilgrims from Amdo and Khampa—the Tibetan regions traditionally the most hostile to the Chinese presence—to attend the festivities, the sources said.

Lhasa was rocked by three anti-Chinese protests in September and early October. At least six people died during an anti-Chinese riot in Lhasa on October 1, according to an official count. Unofficial sources put the death toll at 13, with most of the dead the victims of police bullets.

In spite of the apparent calm, anti-Chinese feeling was apparent in Lhasa, according to Westerners and Tibetans who requested anonymity.

"On the surface, everything is calm, but the pressures are enormous. It is hard to predict whether there will be more protests," said a Tibetan traveller.

But an Asian resident of Lhasa said: "The mood is for a peaceful festival. This is a traditional Tibetan ceremony and Tibetans don't want to spoil their own festival."

"October 1 last year was different. That was the Chinese national day and the Tibetans wanted to use this date as a symbol to express their feelings," he added.

The government has recently authorized a handful of foreign journalists to visit Lhasa for the festival after barring travel to the remote Himalayan region since shortly after the October 1 unrest.

The few Westerners now in Lhasa, including 10 foreign journalists who have joined an organized tour, are under strict police surveillance, a source said.

North Region

Li Ruihuan Attends Beijing Opera in Tianjin

SK250657 Tianjin City Service in Mandarin
2300 GMT 24 Feb 88

[Excerpt] A famous Beijing opera troupe gave performances to welcome the Spring Festival of the Year of the Dragon at the First Workers' Cultural Palace on the evening of 24 February.

Together with 2,000 viewers, the performances were watched by Li Ruihuan, secretary of the municipal party committee and municipal mayor; and He Guomo, Bai Hualing, Hao Tianyi, and Huang Yanzhi, leading comrades of the municipality.

Before the performances started, leaders, including Li Ruihuan, received the performers. The leaders expressed welcome and thanks to them for giving performances in

Tianjin to enliven the people's cultural activities. Municipal leaders also asked them to give performances in Tianjin often. [passage omitted]

Beijing Taxi Drivers' Overcharging Poses Problem

OW242351 Beijing XINHUA in English 1531 GMT
24 Feb 88

[Text] Beijing, February 24 (XINHUA)—Taxi drivers' overcharging passengers is a frequent problem in Beijing despite government efforts to crack down on malpractices, the CAPITAL ECONOMIC INFORMATION, a Beijing newspaper, reported.

The paper said about 190 taxi drivers have lost their licenses and 18 taxi companies have been closed to "make self-criticisms" after being caught overcharging.

The paper cited poor management and a lack of regard for regulations as major reasons for the "unhealthy activities."

It said some companies pay too much attention to economic results and not enough to morality and behavior of the drivers.

In addition, some passengers who take taxis with public funds turn a blind eye to the malpractice, the paper said.

Northeast Region

Heilongjiang Holds Forum on Developing Sanjiang

SK250703 Harbin Heilongjiang Provincial Service
in Mandarin 2200 GMT 24 Feb 88

[Text] The China Academy of Agricultural Sciences and the Heilongjiang provincial government jointly held a forum of science professionals and technicians on developing the Sanjiang Plain. Attending the forum were Wang Lianzheng, president of China Academy of Agricultural Sciences; Dai Muan, vice governor of Heilongjiang Province; specialists and scholars in and outside the province; and responsible persons of provincial departments concerned.

Vice Governor Dai Muan urged specialists and scholars of scientific research units and universities and colleges to suggest ways and means for introducing more and more scientific and technological findings for the development of Sanjiang plain. He urged scientific research units to introduce scientific research items having advantages for Heilongjiang Province.

Wang Lianzheng, president of the China Academy of Agricultural Sciences, thanked the Heilongjiang Provincial Government and some provincial departments concerned for providing the academy with conveniences for

scientific research work. He hoped that the academy and the province would further strengthen cooperation in order to make new contributions to the development of Sanjiang Plain.

Heilongjiang Undertakes Bumper Harvest Plan
OW250638 Beijing XINHUA in English 0225 GMT
25 Feb 88

[Text] Harbin, February 24 (XINHUA)—Farmers in northeast China's Heilongjiang Province hope this year to be able to harvest half their crops on only a third of the farmland.

The ambitious undertaking is called "bumper harvest plan", a provincial government official said here today.

Under the plan two million hectares will be used for wheat, soybeans, maize, rice, jute, sugarbeat and other crops, he said.

Traditionally high-yield counties are being asked to increase output by five percent and low-yield counties to increase output by 10 percent.

The provincial agricultural bank will loan farmers 240 million yuan.

Outstanding units and individuals will be awarded. A special group has been set up to supervise the plan.

President Li Congratulates ROK's No Tae-U
OW242249 Taipei CNA in English 1541 GMT
24 Feb 88

[Text] Taipei, Feb 24 (CNA)—President Li Teng-hui has cabled his congratulations to Republic of Korea's President-Elect No Tae-u on the occasion of his inauguration Thursday.

A special delegation of the Republic of China led by Premier Yu Kuo-hua left for Seoul Wednesday to attend No's inaugural.

Yu Leaves for No Inauguration
OW241413 Taipei CNA in English 1300 GMT
24 Feb 88

[Text] Taipei, Feb. 24 (CNA)—Premier Yu Kuo-hua left Wednesday morning for Seoul as the head of a delegation to Thursday's inauguration of No Tae-u as the 13th president of South Korea.

Yu said that during the visit he will also discuss with Korean officials ways of strengthening ties between the two countries. Yu is scheduled to have a meeting with No Friday.

Yu said that Sino-Korea ties have always been cordial. Since both countries are staunchly opposed to communism and both have made remarkable economic achievements in recent years, he said, they can expect to cooperate much more closely in the fields of economy and trade, especially in the face of protectionist sentiment in the U.S.

Yu said that he also looks forward to meeting Japanese Prime Minister Noboru Takeshita, who will also attend the inauguration, to discuss substantive ties between the two countries. Yu met with Takeshita many times when the latter was Japan's economics minister.

Other members of the Chinese delegation include Foreign Minister Ding Mou-shih; Gen. Chao Chih-yuan, deputy chief of the General Staff; Ku Chen-fu, chairman of the Chinese National Association of Industry and Commerce; Shaw Yu-ming, director general of the Government Information Office; and ROC ambassador to Korea Tsou Chien.

Businessmen To Visit East Europe To Develop Trade
OW241427 Taipei CNA in English 1308 GMT
24 Feb 88

[Text] Taipei, Feb. 24 (CNA)—Businessmen and manufacturers in the Republic of China [ROC] are planning to organize shortly some delegations to Eastern Europe for inspection, exhibition and market research purposes, officials of the Board of Foreign Trade [BOFT] said.

The officials said that the BOFT, the nation's highest trade governing body, has worked out a series of measures for domestic business and manufacturing circles to explore Eastern European markets. The measures are part of an effort to solidly diversify Taiwan's world market.

The ROC has been facing pressure from the United States, the country's top trading partner, with protectionist sentiment on the rise in the U.S. Congress, because of Taiwan's expanding trade surplus. Diversifying its export markets is considered one way for Taiwan to reduce its surplus with the United States.

Currently, traders and manufacturers on the island are allowed to conduct direct trade with seven socialist nations in Eastern Europe. They are East Germany, Poland, Bulgaria, Yugoslavia, Czechoslovakia, Hungary and Romania. Indirect trade is allowed with the Soviet Union and Albania.

The major points of the BOFT plans, the officials said, include the following:

—Attending a trade fair in East Germany in the middle of March.

—Conducting a market research tour on Eastern Europe consumer goods during March and April.

—Attending an industrial exhibition in Hungary in May.

Direct Phone Links with E. Europe Said Planned
HK241326 Hong Kong AFP in English 1307 GMT
24 Feb 88

[Text] Taipei, Feb 24 (AFP)—Taiwan has decided to open an international direct dialing service for telephone calls to communist countries in Eastern Europe, an official said Wednesday.

The direct dialing service, which would connect with all nine countries in the Eastern bloc, including the Soviet Union and Albania, is to facilitate trade between Taiwan and Eastern Europe, the official with the International Telecommunications Administration said.

Premier Yu Kuo-hua Tuesday told parliament that the government would soon permit local businessmen to trade directly with Eastern European countries to compete better with mainland China in the international market.

Taiwan relaxed restrictions on trade with communist countries in 1980 but allowed only indirect trade. Tuesday's policy switch is expected to spur trade with Hungary, East Germany, Poland, Czechoslovakia, Bulgaria, Yugoslavia, and Romania.

Trade with the Soviet Union, Albania, and mainland China, can be done only indirectly, but "we have received instruction from related authority to connect" international direct dialling services "with all Eastern European countries, including the Soviet Union and Albania," the official said.

The direct communications links with the Soviet Union and Albania could eventually pave the way for direct trade with these two countries, observers here said.

The telecommunications administration will soon negotiate with all nine countries in Eastern Europe for linking up the direct dialing service, the official said, adding that there would be no technical problems involving establishment of direct communications.

Text of Li Teng-hui 16 Feb Lunar New Year Speech
OW241206 Taipei CHINA POST in English 17 Feb 88 p 1

["Full Text" of President Li Teng-hui's "Chinese New Year's message to the nation" broadcast on Taiwan TV stations 16 February]

[Text] The more democratic, free and open a society, the faster the society's progress and development and the more safeguarded the society's stability and prosperity, President Li Teng-hui said in his Chinese New Year's message to the nation yesterday.

His address, in Mandarin and Taiwanese, was televised by all three local television stations and broadcast to mainland China by the state-run Central Broadcasting System on lunar New Year's eve yesterday.

The people's needs are the government's needs, Li said, adding that the government will continue to endeavor to stabilize social order, protect the interests of farmers and laborers, and improve the environment and the quality of life.

Li also urged his countrymen to follow the teachings of the late President Chiang Ching-kuo to create a better tomorrow.

The following is the full text of Li's message:

My fellow countrymen:

Peace be with all of you! Today is the eve of the new lunar year, a day when families by tradition are happily reunited. I believe everyone remembers that for many years at this time, the late President Chiang Ching-kuo would extend advance New Year greetings to all compatriots. But very unfortunately, our most respected and loved Mr. Chiang left us on the 13th of last month just when we need his continued leadership, leaving us in unbounded grief and with eternally cherished memories of him. I hope that from now on, we will all follow his teachings and redouble our efforts to bring about even greater accomplishments to please Mr. Chiang's soul in heaven.

Since taking office, I often have wanted to visit you all. I feel extremely happy to have this opportunity today to wish everyone a happy new year in advance and to chat with each one of you.

Looking back on the past year, I can say that under the combined efforts of the government and people, we have had a very fruitful year. Whether in politics, the economy or the society, there has been tremendous reform and progress which I think everybody has already felt in daily life.

But we must not be satisfied with what we have. We must continue to endeavor, to make the people's needs our needs, to stabilize the social order, to protect the interests of farmers and workers, and to improve our environment and quality of life to gain the greatest possible welfare for the people. We believe deeply that the more democratic, free and open a society, the faster will be progress and development and the more stable and prosperous it will be. But at the same time, we must also realize that respect of the law, solidarity, mutual trust, and mutual love are even more the driving forces of national construction.

There remains from this day forth much work to be done: more freedom in the economy, further liberalization of the economy, democratization of politics, equality in society and development in education. This work needs the combined participation of each and every citizen. The manpower, finances, technology and other resources now at our disposal are better than ever before. If only we fight and work with determination and strive and excel as modern citizens, our future prospects for the nation's modernization, construction and development will be full of unequalled confidence and hope.

However, everyone also knows that we are not now living in a time of peace. The Chinese communists on the mainland have never ceased to attempt to annihilate us with united front tactics. Mainland compatriots still live in poverty and enslaved conditions. So we must heighten our vigilance and at the same time endeavor to realize the goal of reunifying China under the Three Principles of the People as soon as possible to let our mainland compatriots enjoy a free, democratic, and affluent life as we do.

Tomorrow is Chinese New Year's Day. I would like here to extend my advance greetings to everybody by wishing you all happiness and many happy returns in the new year. Thank you.

Demonstrators Seek Approval for Dissident's Return
HK240619 Hong Kong HONGKONG STANDARD in English 24 Feb 88 p 6

[By Chan Wai-fong and agencies]

[Text] About 60 supporters of exiled dissident Hsu Hsin-liang, including his parents, demonstrated outside Taiwan's Parliament yesterday to demand he be allowed to return from the Philippines.

Many of the demonstrators, who waved banners and made speeches outside the Legislative Yuan, were members of the opposition Democratic Progressive Party. Mr Hsu's parents held a sign that read: "Value human rights. Let Hsu Hsin-liang come home."

Mr Hsu's father, 75-year-old farmer Hsu Wen-huai, said he had long hoped that his son could return to Taiwan for a family reunion.

The two-hour protest ended when lawmaker Mr Yao Ying-chi, of the ruling Nationalist Party, accepted a petition from demonstrators and promised to raise the issue next week in the legislature.

Mr Hsu was arrested at Manila airport earlier this month when he tried to sneak onto a Taiwan-bound plane with a false passport. Philippine immigration officials have offered political asylum to Mr Hsu, who has asked for time to consider.

Taiwan authorities have denied entry to Mr Hsu, saying people charged with sedition are not allowed to return under the National Security Law, which replaced martial law last year. But dissidents argue that the government should allow him to return to stand trial.

Mr Hsu, 47, was charged with sedition and accused of involvement in an anti-government riot in the southern port of Kaohsiung in 1979. The riot occurred two months after he had left for the United States, but officials claim he helped organise it.

Yesterday's demonstration was the first since the January 13 death of President Chiang Ching-kuo. An even bigger one, to be organised by the opposition Democratic Progressive Party, may be in store for Friday when Mr Hsu is scheduled to be deported to the United States, according to party sources.

But the plan depends on developments in the next two days, an opposition legislator told THE STANDARD yesterday.

Ms Hsu Jung-shu, a Democratic Progressive Party legislator, said that her party supported the dissident for humanitarian reasons. "It is to uphold the basic rights of the people. And Mr Hsu has contributed a lot during the early years of the opposition movement," Ms Hsu said.

Four members, including herself, were leaving for Manila this morning to see Mr Hsu. "We will see what the situation is like over there. And a demonstration is possible if the government continues to ignore the rights of overseas Taiwan people to return home," she said.

She said that requests had been made to the Ministry of Interior to send two policemen along to escort Mr Hsu home. But the government is unlikely to agree to this.

Mr Hsu has made at least three attempts to return home. All failed.

Deportation From Philippines Possible

OW241238 Taipei CHINA POST in English 20 Feb 88 p 4

[Text] Taiwan dissident Hsu Hsin-liang will be deported to the United States in seven days if he does not accept refugee status in the Philippines, the CHINA TIMES [CHUNG KUO SHIH PAO] reported from Manila.

The ruling was made by Manila's Commission on Immigration and Deportation at a hearing Thursday on Hsu's illegal entry into the Philippines. Under the ruling, Hsu has to agree to refugee status before 2 p.m. on Feb. 25, or he will be put on a plane to the U.S., where he has been living since 1979, according to the newspaper.

The paper said Hsu is unhappy with the ruling because as a refugee he cannot engage in political activities in the Philippines.

The ruling leaves little time for Democratic Progressive Party [DPP] leaders to fly to Manila to visit Hsu, the Chinese-language daily said.

Yesterday, DPP Legislator Yu Cheng-hsien said he would go to Manila to see Hsu. Hsu Jung-shu, another opposition legislator, had also said she wanted to make the trip.

Hsu, former Taoyuan County commissioner, was detained on Feb. 11 when he tried to leave for Taiwan on a false passport. His two earlier attempts to sneak back into Taiwan failed because the government's National Security Law bars natives charged with sedition from coming home.

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